EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,659 Wednesday October 5 1988 D 8523 A

THE CARIBBEAN
New lease of life for Caricom
Page 4

World News

Right-wing Israeli party faces election ban

Kach, the extreme right-wing Israeli party headed by Rabbi Meir Kahane, faces the prospect of being barred from participating in the country's general election on November 1. Page 6

Soviet train blast

Four people died and hundreds were injured when a Soviet train carrying explosives crashed inside a station at Sverdlovsk, east of the Urals, unleashing a blast that destroyed 20 buildings, Soviet media said.

Chile sees envoy

Foreign Minister Ricardo García of Chile summoned US Ambassador Harry Barnes for a private meeting after a newspaper article quoted Mr Barnes as saying he favored the opposition in today's referendum. Chile poll, Page 8

Right-turn denied

British opposition Labour Party leader Neil Kinnock denied any "slide to the right" or concessions to the policies of Prime Minister Margaret Thatcher in his keynote speech to the party's annual conference at Blackpool, north-west England. Page 11

IRA kills jail official

A booby-trap bomb planted by the Irish Republican Army killed the vice chairman of the Prison Officers' Association in Northern Ireland. Later, another IRA bomb wrecked a hotel and damaged shops in central Belfast.

PLO link denied

Israel's Labour Party denied reports it used Egyptian and European intermediaries to establish contact with the Palestine Liberation Organisation.

Korean summit call

President Roh Tae-Woo of South Korea renewed a call for summit talks with Kim Il Sung, his North Korean counterpart. Page 7

Aquino delays vote

President Corazon Aquino of the Philippines has won Congressional support for a postponement of village elections. Page 7

Party finance move

A Communist Party plenum in Byelorussia agreed on measures to transform the western Soviet republic into an economically self-financing region, Tass said.

S African refusal

South Africa has refused an application by the Chemical Workers' Industrial Union to force multinationals to negotiate the terms of disinvestment with workers before they sell their assets.

Dissident appeal

Soviet Cinema Union has appealed to the Presidium of the Supreme Soviet to review its 1974 decision to deport writer Alexander Solzhenitsyn.

Kurds return

Some 400 Iraqi Kurdish refugees who fled to Turkey following a Baghdad army offensive in August will return to Iraq tomorrow, Turkish Foreign Ministry said. Page 3

Turkish inflation up

Turkey reported its inflation rate soared to an annual 81.8 per cent in September, prompting calls from bankers for speedy action to control it.

Business Summary

Top US bank to back SA bid for gold group

CHEMICAL Bank, seventh-largest in the US, and Canada's Bank of Nova Scotia are in the syndicate which will make £1.4m ($1m) available to Minorco, South African-controlled investment group, to help finance the £2.9bn hostile bid for Consolidated Gold Fields of the UK. Page 23

RÉMY MARTIN, French cognac house, announced it had acquired 58 per cent of the voting rights in Piper-Heidsieck, France's fifth-largest champagne exporter, in a friendly transaction worth FFr565m ($88.8m). Page 24

ZINC prices continued their rally from last Tuesday's low, cash metal closing at $1,347.50 a tonne, a rise of $3 on the day, and testing recent highs. Page 44

EUROPEAN Brazilian Bank, UK-based consortium bank specialising in lending to Latin America, is to give up its banking status because it cannot afford to make sufficient provisions against doubtful loans. Page 23

AMSTRAD, high-flying UK electronics and personal computer group, is acquiring a 9 per cent stake in Micron Technology of the US as part of a £45m ($75) deal aimed at ensuring its long-term supplies of memory chips. Page 23

SWIFT, a multi-million dollar project to modernise the most important electronic payments system used by international banks will be abandoned in January next year if it continues to fail to meet stringent performance standards. Page 23

STOCK MARKET analysts gave a mixed reception to a major recapitalisation plan at Inco, world's largest nickel producer, which incorporates a $1bn or $10 a share dividend payment to shareholders. Page 23

ROGER FAUROUX, French Industry Minister, reiterated France's insistence on at least 80 per cent local content for UK-built Japanese cars to qualify as European products. Page 22

MARKS & SPENCER, big UK retailer, unveiled the long-awaited expansion of its financial services operations with its entry into the personal investment market. Page 27

STATOIL, Norway's troubled state oil company, may be forced to pass its dividend to the state for this year and next due to the extraordinary write-offs associated with its Mongstad refinery, according to the 1989 draft budget proposals. Page 26

SANTOS, Australia's largest onshore petroleum producer, has been saved from an earnings collapse by currency gains and lower tax payments in a difficult June half-year. Page 25

UK TEXTILE industry is lobbying against proposals for the EC to introduce Community-wide textile quotas when the unified European market comes into force after 1992. Page 4

BANK OF FRANCE, central bank, announced a co-ordinated rescue for Al Saudi Banque, small Paris-based bank with assets of around FFr8bn ($1.3bn). Page 26

BTR NYLEX, 62 per cent-Australian offshoot of UK's BTR industrial group, is paying NZ$985m (US$572.3m) to take over Feltrax International, New Zealand carpets, textiles and furniture producer. Page 25

BERLINER Handels- und Frankfurter Bank, West German merchant bank, announced improved operating profits for the first eight months of 1988. Page 26

Kuwait angered by Britain's forcing of BP share sale

By Max Wilkinson, Resources Editor, in London

KUWAIT yesterday reacted with surprise and anger at Britain's decision to force the state-owned Kuwait Investment Office (KIO) to sell half of its $3bn stake in British Petroleum within 12 months.

The decision took many leading Kuwaiti bankers and analysts by surprise. "One feels a sense of extreme injustice. We were expecting the Kuwaiti stake, at worst, to be ordered reduced to 15 per cent," said Jassim al-Sadoun, head of al-Shal, the leading economic consultancy in the country.

"There is definitely a bitter and anti-British feeling," another Kuwaiti economist said.

The KIO was asked to make the divestment by Lord Young, Britain's Trade and Industry Secretary, who accepted a Monopolies Commission recommendation that the stake should be reduced from 21.6 per cent to 9.9 per cent.

Lord Young said in a radio interview yesterday that the action being taken against KIO was "a confirmation of our belief in free markets. KIO is a member of Opec. Opec is one of the great cartels in the world. We will not be part of a cartel."

BP's share price fell only ½p yesterday to 135p as the market absorbed the news. At this price, the forced sale would result in a loss for the KIO of about £350m ($591m). However, the Monopolies Commission report published yesterday says that the Kuwaitis ignored several ministerial warnings as their stake in BP was growing.

The KIO started building up its stake in BP in October 1987 after the British Government's £7.2bn share offer flopped as a result of the collapse of world stock markets.

Yesterday's report shows that it steadily accumulated shares until March 11, when it held 1.316bn shares in the company.

Yesterday Sir Peter Walters, BP's chairman, welcomed the decision and said it was broadly in line with what the company had proposed to the Monopolies Commission.

He said the company had several ideas about how the stock could be sold without injuring the interests of other shareholders and was hoping to co-operate with the KIO and the Office of Fair Trading in expediting the sale.

Sir Peter said that since the Government's share sale last October the company had continued to make a big effort to explain its policies and prospects to overseas investment analysts.

He hoped that this would result in strong interest in the stock which he believed was undervalued by some 20 to 30 per cent in comparison with major US oil companies.

The possibility of buying in its own shares, as US oil companies have been doing, has not so far been raised by BP and would in any case require the agreement of shareholders including the KIO.

The KIO said in London yesterday that it was "extremely dissatisfied with the way in which the monopolies commission had reached its conclusions".

However, Sheikh Ali Khalifa, Kuwait's Oil Minister, whose links with the purchase raised British doubts about the Kuwaiti intentions, dismissed inquiries throughout the day insisting that the KIO business was not his direct responsibility.

Some Kuwaitis have also questioned the judgment of the KIO for building up such a large stake. Mr Al-Sadoun said the purchase did not make sense in strictly financial or in strategic terms.

The Monopolies Commission's main argument for divestment was that Kuwait's position as a member of the Organisation of Petroleum Exporting Countries created a potential conflict of interest with those of the company and the British Government.

Opec, it said, had followed a policy of restricting oil production to raise crude prices. This could come into conflict with BP's future plans for investment in oilfields or in alternative technologies to oil.

The commission rejected assurances by the KIO and the Kuwaiti Government that they would not use their large shareholding to interfere in BP's policies. It was also not convinced by a formal bond which the Kuwaiti Government had signed pledging non-interference.

Editorial Comment, Page 20; Lex, Page 22; Details, Page32.

Saudis warn on oil quotas

By Steven Butler in London

SAUDI ARABIA has warned that it will continue to increase oil production as long as production quotas were violated by other members of the Organisation of Petroleum Exporting Countries (Opec).

The warning came in a statement issued late on Monday by the Saudi Cabinet, which is chaired by King Fand.

It appeared to confirm widespread reports that Saudi oil production has risen sharply in recent weeks to hit a current level of 5.7m barrels a day. This compares to an Opec production quota of 4.3m b/d.

Oil markets, which have declined heavily in the past week, took the news calmly, recovering during the day from early falls. North Sea Brent crude for October delivery rose 17¼ cents to close at $11.77½ in European trading. On the New York Mercantile Exchange, November futures for West Texas Intermediate Crude were 14 cents higher at $13.20 in midday trading.

However, traders said that the relative buoyancy of prices reflected the covering of positions by short sellers in the futures markets, and that prices were expected to continue falling unless Opec took steps to reduce production.

The Saudi statement represented a plea to other Opec members to respect Opec agreements, while indicating that Saudi Arabia would not allow others to benefit by cheating on production.

The Cabinet said that Saudi Arabia had sacrificed more than $109bn since 1986, when it cut production from 10m b/d to 4.3m b/d. It called on other Opec members to return to agreed production levels in order to balance the market.

Current Opec production, at about 20.6m b/d is thought to be more than 2m b/d above the demand for Opec crude.

The statement warned of a financial crisis among debtor nations should oil prices remain weak.

Patience lost with cheats, P44

GrandMet in $5.2bn bid for Pillsbury

By Clay Harris in London and Roderick Oram in New York

GRAND Metropolitan, the UK-based drinks, food and retailing group, yesterday launched a $5.23bn takeover bid for Pillsbury, the US company which owns Burger King, the world's second largest hamburger chain, and such food brands as Green Giant vegetables and Häagen Dazs ice cream.

The offer, to which Pillsbury did not immediately respond, comes less than a week after GrandMet raised £1.2bn after tax by selling its Inter-Continental hotels chain to Seibu Saison of Japan.

Mr Allen Sheppard, GrandMet chairman, said the UK company wanted to match in food and retailing the success of its drinks operations, which include Watney and Truman beers and spirits brands such as Smirnoff vodka.

GrandMet is offering $60 per share for Pillsbury, 53 per cent above the closing level on Monday, and 24 per cent above its highest ever close of $48⅜, one year ago today.

Pillsbury shares jumped $18¼ to $57½, indicating that Wall Street arbitrageurs thought a bidding war was unlikely. In London, GrandMet shares closed 32p lower at 454p.

Repeatedly describing the offer as "full and fair," Mr Sheppard said: "We wanted to put the management of Pillsbury into the situation in which they had to take the bid very, very seriously in terms of value for their shareholders."

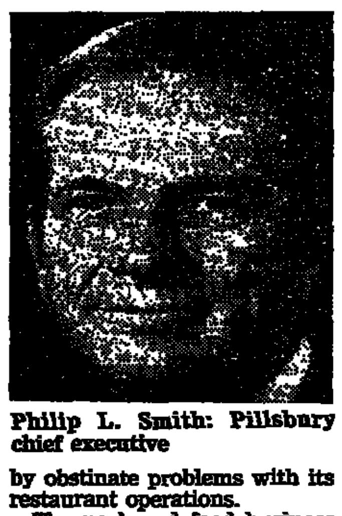
He hoped, moreover, that the level of GrandMet's offer had "knocked out, before they've begun, any of the Mickey Mouse highly leveraged situations."

"It comes close to a pre-emptive bid," said Mr John McMillin, an analyst with Prudential-Bache in New York. He estimated Pillsbury's break up value at about $50 a share.

Pillsbury, known for its pudgy doughboy mascot, has been widely considered a takeover target because of poor performance and management upheavals.

It has had a trying year with three chief executives in the past seven months. Mr John Stafford was replaced in February by his autocratic predecessor, Mr William Spoor, who then handed over to Mr Philip Smith, a former chairman of General Mills.

Under Mr Smith, Wall Street was not expecting any rapid turnround in Pillsbury's fortunes. It has been pulled down by obstinate problems with its restaurant operations.



Philip L. Smith: Pillsbury chief executive

The packaged food business also has plenty of problems. Some of its famous brands have been neglected and the group has a reputation of letting competitors capitalise on some of its best ideas.

GrandMet is to finance the bid through a £479m rights issue and bank borrowings. By late yesterday it had arranged new financing of $6bn with UK and overseas banks.

If the bid is successful, GrandMet plans to sell Distron, a food service operation primarily supplying Burger King franchisees as well as all Pillsbury-owned restaurants. It would also sell 380 Steak and Ale and Bennigan's restaurants because of US laws forbidding alcoholic drinks manufacturers or distributors from owning licensed retail outlets.

Mr McMillin of Pru-Bache estimated the restaurants might fetch $300m, Distron $250m and Pillsbury's grain marketing operation, which is already on the block, about $125m.

In the year to May 31, Pillsbury reported pre-tax profits of $156m – less than half the figure in the previous 12 months – on sales of $6.19bn. GrandMet yesterday estimated that its own pre-tax profits for the year which ended last Friday would exceed £565m, compared with £456m in 1986-87.

GrandMet's one-for-seven rights issue is priced at 400p, half of which is payable on October 28, half on June 2 next year. For technical reasons, subscribing shareholders will initially receive loan stock which will convert automatically into ordinary shares in November 1989.

Putting the bite on Burger King, Page 20; Lex, Page 22

The Soviet schools visiting VIPs don't see

By David Thomas, Education Correspondent, in Moscow

SCHOOL No. 15 in Moscow's Proletarsky District is not the type of school shown to visiting foreign dignitaries.

A stone's throw from the Zil car factory, it is overlooked by crumbling blocks of flats. One foreigner working in Moscow was warned to watch out for problem families throwing things off the balconies. Complete with overflowing rubbish skips, the apartments could easily be in London's East End.

School No. 31, by contrast, is very much a Soviet showpiece. In a fashionable district a couple of miles from the Kremlin, it was host yesterday to Mr Kenneth Baker, British Education Secretary.

Mr Baker was getting a version of the Potemkin treatment. Named after Catherine the Great's minister who imported prosperous peasants into newly built mock villages whenever the Empress left the capital, it reached new heights during Mrs Nancy Reagan's visit this year to a Soviet school, which was evacuated six weeks beforehand and practically rebuilt.

Schools 15 and 31 have only one thing in common. Both specialise in English teaching, which immediately puts them a cut above the mass of Soviet schools. However, the similarities stop there.

School 31, located in a 19th century private school, has immaculately painted ochre walls and a gleaming parquet floor. The squat, red-brick School 15 has the down-at-heel, chipped look of many inner city British schools. School 31 has excellent facilities including a room full of computers. School 15 has no computers and the teachers complain of a shortage of tape-recorders for language lessons.

Yet, School 15, in its way, is as impressive as School 31.

While Mr Baker was yesterday conducting a poetry lesson at the showcase school, over at School 15 Lena in the tenth grade was describing her ambitions to be an interpreter, if she could pass the stiff exams into the Institute of Foreign Languages. Boris, her classmate, intends to be a computer engineer and says his knowledge of English helps him to read computer manuals.

Both Lena and Boris, still only 17, speak near-fluent

Continued on Page 22

GE announces plans to invest $1.7bn in Spanish silicon plant

By Peter Bruce in Madrid

GENERAL ELECTRIC of the US last night announced plans to invest $1.7bn in a huge new silicon and plastics complex on Spain's south coast.

The investment, believed to be one of the biggest-ever committed by a foreign company to Spain, will be spread over a maximum of 10-15 years.

The plant will be built in the port city of Cartagena and should begin operations in about three years' time.

Mr Ignacio Trillo, chairman of General Electric Espagna, said last night that the Spanish central government had promised to provide aid totalling 30 per cent of the total investment and that the local authority in Cartagena had promised to give for free a 700-hectare prime site for the project.

He said five other European countries, which he declined to name, had been considered as bases for the investment and that GE had looked at 17 prospective sites in Spain before choosing Cartagena.

Mr John Welch, GE's chairman and chief exective, was in Cartagena on Saturday for a final viewing of the site.

Mr Welch had held talks in June with the Mr Felipé Gonzalez, during which final discussions on incentives had taken place.

Mr Trillo said the plant would first begin manufacturing silicon products, which are used mainly as sealants. A second phase would add a range of polycarbonates – plastics – for supply to customers in the motor and computer industries.

The plant would eventually employ 1,500, and the government has been told that it could generate a further 5,000 to 6,000 jobs in the region.

GE operates a similar plant in Holland, where it employs 1,700 and the Cartagena plant, Mr Trillo said, would provide GE with a second base in Europe.

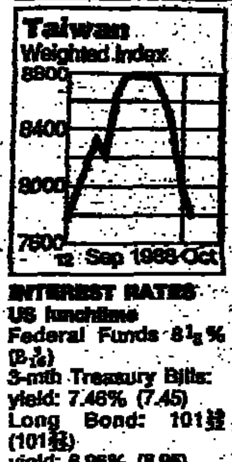
Although the growing Spanish motor industry would be an important customer for the plant's plastics output, some 90 per cent of total silicon and plastics production would eventually be exported.

The high export share would have been a major plus factor in the Spanish Government's decision to back the project. Sales, Mr Trillo said, could reach $1.2bn a year if the market continued to grow satisfactorily.

GE already employs around 1,000 in Spain in an electro-medical plant, manufacturing X-ray equipment near Madrid, and a smaller one producing relay equipment in the Basque country.

GE's investment plan, if it is fulfilled, will far outstrip any foreign investment made in Spain this decade, apart from the $3.4bn that VW is planning to spend on increasing capacity of its Spanish subsidiary, SEAT, in the next 10 years.

MARKETS



INTEREST RATES
US lunchtime
Federal Funds $8\frac{1}{8}$% ($8\frac{3}{16}$)
3-mth Treasury Bills: yield: 7.46% (7.45)
Long Bond: $101\frac{13}{32}$ ($101\frac{13}{32}$)
yield: 8.96% (8.95)
London
3-month interbank: close 12% ($11\frac{15}{16}$)

STERLING
New York close
$1.69475 (1.70175)
London:
$1.6945 (1.699)
DM3.1525 (3.16)
FFr10.7425 (10.7625)
SFr2.6775 (2.6825)
Y225.75 (227)

DOLLAR
New York lunchtime
DM1.86475 (1.86175)
FFr6.3495 (6.3385)
SFr1.583 (1.5815)
Y133.35 (133.65)
London:
DM1.8610 (1.8605)
FFr6.34 (6.335)
SFr1.5785 (1.5875)
Y13.2 (133.65)

GOLD
New York close
Comex Dec
$402.7 (402.2)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,102.06 (-3.2
S&P Comp
270.62 (-0.78)
London:
FT-SE 100
1,807.3 (+4.7)
World:
125.73 (Mon)
Tokyo
Nikkei Ave
27,501.02 (-44.51)
Frankfurt
Commerzbank
1,559.4 (+0.2)

OIL
Brent 15-day (Argus)
$11.775 (11.60) (Oct)
West Tex Crude
$13.265 (same) (Nov)

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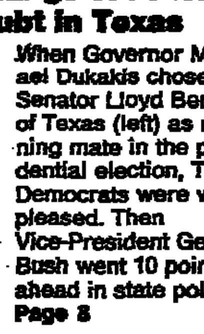
Democratic feelings of relief give way to doubt in Texas



When Governor Michael Dukakis chose Senator Lloyd Bentsen of Texas (left) as running mate in the presidential election, Texan Democrats were well pleased. Then Vice-President George Bush went 10 points ahead in state polls. Page 8

EC to protect advances in biotechnology

By William Dawkins in Brussels

COMMON EC rules to guard biotechnology inventions against theft are due to receive the go-ahead today from the European Commission.

The aim is to simplify the patchwork of sometimes conflicting national systems of patenting new products in a fast-growing industry worth an estimated $40bn worldwide. If accepted by the 12 EC governments, they will give legal protection to a wide range of biotechnology processes covering products from slow-growing grass to cures for heart failure.

The draft directive aims to clarify the situation in France, Britain and West Germany, where biotechnology patent rules exist but have been infrequently tested, and to introduce protection for the first time to other member states.

Commission officials believe the plan is urgent given the enormous research and development needed for biotechnology inventions. They also fear that tougher patent protection available in the US and Japan might tempt EC biotechnology companies to emigrate, unless the Community offers adequate protection for new ideas.

The directive says biotechnology products must have novelty, be inventive and be industrially applicable, if they are to qualify for a patent, a definition taken from conventional patent law.

But crucially, it only offers patent protection to "microbiological processes or products." It does not cover "plant or animal varieties as such," which get some protection in more flexible US and Japanese patent law. The difference could raise worries from EC companies that their US counterparts are getting better protection.

However, Commission officials point out that plant varieties would still be protected by so-called national "breeders' rights." They stress that the directive would be enforced flexibly and that it is only meant as a framework. The final technical decisions on inventions that qualify would be up to national patent offices and the European Patent Office in Munich. "We will have clear, certain and broad protection," said an official.

Younger pledges to reduce jet noise

By David Marsh in Bonn

MR George Younger, the British Defence Secretary, said yesterday he doubted whether low-flying training by the Royal Air Force in West Germany could be reduced further, but pledged efforts to try to reduce the noise and nuisance for local populations.

Mr Younger made his comments after a joint press conference with Mr Rupert Scholz, the Bonn Defence Minister, at which the two countries announced they were studying ways of improving further bilateral military collaboration.

Mr Younger was making his first visit to see Mr Scholz, who took office in May. The two ministers voiced support for a quick start to East-West talks to lower conventional force imbalances in Europe.

On the question of low flying by German and Allied air forces, which has run into growing public opposition this year, Mr Scholz said such training was a "military and strategic necessity". But ways would be considered of reducing the impact on the German population.

Mr Younger made clear that this would probably involve bringing in additional restrictions and spreading out the flights over different areas rather than cutting the actual amount of flying carried out by the RAF, which has already been reduced in recent years.

The study on defence cooperation will focus on areas like training, staff exchanges and improvement of military integration. Weapons procurement will also be reviewed. Proposals may surface before 1989.

Mr Younger said establishment of a joint German-UK troop brigade, as planned by the Federal Republic and France, was not necessary, since Britain and West Germany were already in the integrated command structure of Nato. Clearly with an eye on the much-feted military entente between Bonn and Paris, Mr Younger said: "We have felt for some time it is necessary to put a more public face on the extremely close alliance between the Federal Republic and the UK."

Soviet Union faces growing drugs problem

By Quentin Peel in Moscow

THE Soviet Union is facing a growing drugs problem because of its greater openness, compounded by the fact that it is a major transit route between drug-producing countries and drug users, a top Soviet customs official said yesterday.

New details have been published on efforts to fight drug abuse in the Soviet republic of Kirghizia, on the border with China, underlining the growing willingness of the Soviet authorities to admit to the problem.

A recent agreement signed by the British and Soviet customs services on joint efforts to combat drug smuggling is only the first of a series planned by the Soviet authorities, Mr Vitaly Boyarov, first deputy head of the state customs service, said. Similar agreements with the US and France are under negotiation, and contacts have been made with more than 25 Western countries.

"We cannot tackle this task on our own," Mr Boyarov said. "Paradoxical as it may seem, the penetration of narcotics increases in the period of greater openness of Soviet society, in connection with the growing number of foreigners visiting the USSR."

The Soviet Union was conscious of its position as a potential transit route for drugs, mainly from Afghanistan to western Europe.

The persistence of the home-grown drug problem was revealed in a report by the official news agency, Tass, from the central Asian republic of Kirghizia.

It cited what appears to have been a modest effort to check the consumption of narcotics in the region.

In spite of a campaign to destroy fields of wild hemp, "still the area occupied by it does not reduce," the agency reported. "As a result, the number of drug addicts is not reducing either, and is even growing."

Quoting the example of one region, Issyk-Kul, the report said a modest Roubles 100,000 had been spent on the campaign, which was only capable of launching isolated raids to find hemp-growing areas. Out of 166,000 hectares searched, hemp was found on 2,000.

"All this does not seem to improve the situation," Tass concludes.

Drug use in the Soviet central Asian republics is practically endemic, and the report bemoans the lack of preventive anti-drug propaganda in schools, any medical institutions for treating drug addicts in the region, and the lack of co-ordination between the militia and drug abuse councils.

Swedish PM downgrades Justice portfolio

By Sara Webb in Stockholm

MR INGVAR Carlsson, Sweden's Prime Minister, downgraded the Justice portfolio, a post dogged by scandal, in a series of cabinet changes announced to Parliament yesterday.

He promised to reform the tax system, cut inflation, preserve full employment, and improve ties with the EC.

He pledged new measures to stimulate savings and tackle the labour shortage. Tax reform would begin with a 3 per cent cut in marginal rates.

Ms Laila Freivalds, hitherto consumer ombudsman, was named Minister of Justice, a post in which three incumbents have come to grief within five years.

The job of regulating the police has been transferred from the Justice Ministry to the Civil Service ministry, to be headed by Mr Bengt Johannsson, former deputy finance minister, who retains his job of supervising wages and pensions.

One justice minister, Ms Anna-Greta Leijon, had to resign this summer after launching a freelance inquiry into the 1986 killing of premier Olof Palme.

Ms Freivalds, 46, a somewhat controversial figure, apparently said during her student days that she understood why impecunious people stole cars. She claims to have modified her views.

Mr Ivar Nordberg becomes Industry Minister. Mr Kjell-Olof Feldt remains Finance Minister, with a new deputy, Mr Odd Engström.

Parliament saw the entry of the first new political party in 70 years, the Greens.

University call for recognition of Solidarity

By Christopher Bobinski in Warsaw

DEMANDS that the Polish authorities recognise the banned Solidarity trade union and NZS, an independent students' organisation, were made at a rally at Warsaw University yesterday.

Professor Grzegorz Bialkowski, rector of the university, told the demonstration of some 2,000 people: "The majority of our community supports this demand."

The rally was held to demand wage increases for administrative and technical staff as well as greater university autonomy and the legalisation of the banned organisations. NZS was founded in 1981 and, although banned when martial law was introduced, re-emerged in some strength last year.

Belgrade seeks to change IMF recovery agreement

By Aleksandar Lebl in Belgrade

SEVERAL THOUSAND workers demonstrated against economic austerity outside the federal Parliament in Belgrade yesterday, as Yugoslav negotiators put to experts from the International Monetary Fund the case for revising the terms of the country's economic recovery programme.

Yugoslavia is shortly due to receive the third of five tranches of an SDR 320m ($243m) standby credit granted by the IMF in May. Under IMF guidance, the country has embarked on a rescue plan under which prices and imports were liberalised, and restrictive monetary policies were imposed.

Yugoslav officials say the terms of the recovery programme need to be adjusted because inflation has far outstripped projections, making other targets in the plan meaningless.

The plan projects a 1988 inflation rate of 90-95 per cent, but prices rose by 122 per cent in the first nine months, and a 200 per cent rate for the year is expected.

In its current form, the plan says pay must remain unchanged in real terms if the inflation target is being met, and that if it is exceeded, real wages should not fall by more than 20 per cent. It also calls for a real-terms reduction in total public expenditure, and for money supply to grow more slowly than inflation.

The Government this week asked the federal Parliament for speedy passage of a new law that would allow enterprises to award pay rises in excess of current guidelines if output is improved.

Schlüter plans to pare Danish welfare state

By Hilary Barnes in Copenhagen

A PROGRAMME to free individual Danes and the country's business sector from the stifling restrictions of an over-administered welfare state was launched yesterday by Mr Poul Schlüter, the Prime Minister.

In the first major policy statement by his non-Socialist minority Government since the May general election, he said the intention was to slash public sector bureaucracy, introduce more user-charges for public sector services, and curb welfare systems.

"Our entire society needs a shake-up," he told Parliament at its first session of the new parliamentary year. The public sector was too big, the private sector too small; private sector savings had to be increased, and competitiveness improved.

The changes were essential to solve the country's most pressing problems: its high unemployment, running at about 8.5 per cent, and chronic current balance of payments deficit.

The cure would be tough, Mr Schlüter warned. There was no room for increases in either nominal or real wages for several years.

Significant reductions in business taxes were promised, especially the wealth tax, inheritance tax and double-taxation of dividends. The educational system, the labour market and unemployment benefit systems, and welfare systems all faced reforms to make society more flexible.

Amnesty says rights violations still common

By Robert Mauthner, Diplomatic Correspondent

HUMAN RIGHTS violations by governments throughout the world are still as numerous as ever, according to Amnesty International's annual report published today.

In at least half the countries of the world, people are locked away for speaking their minds, "often after trials that are no more than a sham." In at least a third, men, women and even children are tortured by government officials. "In scores of countries, governments pursue their goals by kidnapping and murdering their own citizens."

The report, which gives details of human rights violations in 135 countries, says that, during 1987, prisoners of conscience were held in at least 80 countries and that torture or ill-treatment of prisoners was reported in at least 90.

More than 120 states have written into their laws the right to execute people convicted of certain crimes, and more than a third carry out "such premeditated killings" every year, the report says.

Amnesty, which opposes the death penalty and works for its abolition, claims that last year 769 prisoners are known to have been executed in 39 countries and 1,185 people were sentenced to death in 62. The real figures are probably higher since these were only cases known to the organisation.

By the end of 1987, 32 nations had abolished the death penalty for all offences and 18 for all but exceptional offences, such as war crimes. At least 16 countries and territories which retained the death penalty in law had not carried out executions for at least 10 years.

In spite of this depressing picture, Amnesty considers that substantial progress has been made on the human rights front in the past 40 years. There now exists a genuinely worldwide human rights movement of more than 1,000 organisations which exposes governments to the glare of international publicity, "the greatest weapon we have."

FINANCIAL TIMES

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Strauss's posts likely to be split as Bavarian attention turns to succession

By Haig Simonian in Munich

AS BAVARIANS adjust gradually to the loss of Mr Franz Josef Strauss, the state's prime minister and chairman of the Christian Socialist Union (CSU), who died on Monday, attention in Munich has already begun to shift to the succession.

No formal political changes are likely to take place before next week at the earliest, but it is virtually certain that the jobs of premier and party chairman will now be split.

Mr Max Streibl, 56, the deputy prime minister, has taken over temporarily. However, under the constitution, the deputy premier does not automatically assume the top job permanently, and a successor will have to be chosen by the state parliament within the next four weeks.

The vote, which is likely to take place around the middle of this month, is unlikely to produce any surprises. Mr Streibl, who is also finance minister and the longest-serving member of Mr Strauss's cabinet, is a near-certainty for the post. He is well-respected and backed by the powerful party organisation in Upper Bavaria.

Interest has switched instead to whether he will aim to stay in office beyond the end of the current legislative period in 1990. Mr Streibl has yet to make a statement on his plans, but local commentators are already quoting the example of Mr Alfons Goppel, Mr Strauss's predecessor as prime minister, a "temporary" solution who held the job for 16 years.

Choosing a new chairman of the CSU is likely to take somewhat longer, according to political commentators in Munich. Mr Hans Waigel, 49, leader of the party's political group in the Federal Parliament in Bonn, remains the front-runner, although a formal decision will have to await a special conference. The CSU had arranged before Mr Strauss's death to meet in special session on November 18-19, but it is unclear whether that meeting will be brought forward.

One big point in Mr Waigel's favour is his membership of the Bundestag and knowledge of the Bonn political scene, which may help him present himself as the best candidate to retain the CSU's influence at federal level.

However, that would leave unrewarded Mr Gerold Tandler, 52, the Bavarian economics minister and a man widely seen as being groomed by Mr Strauss as a possible successor. Suggestions are already circulating that if he fails to get either of the two top jobs he could be appointed deputy party chairman, or deputy prime minister, with the prospect of succeeding Mr Streibl in 1990.

Mr Streibl is seen as an old-guard father figure in the CSU whose occasional acting roles in the Oberammergau Passion Play emphasise his continuing local links. By contrast, Mr Tandler is more the technocrat, who tended to occupy a backroom role until appointed economics minister by Mr Strauss this year.

However, neither man has Mr Strauss's political weight or charisma. That stems partly from Mr Strauss's policy in recent years of distancing opponents within the party and working closely with a coterie of trusted associates who seldom disagreed with their mentor.

Mr Tandler is seen as a prime example. After being called into the prime minister's office he became increasingly indispensable to Mr Strauss, releasing him from many of the everyday burdens of office and giving him more freedom to pursue interests like international diplomacy or sniping at the Federal Government.

Lisbon sets economic targets to 1992

By Diana Smith in Lisbon

THE PORTUGUESE cabinet has approved an ambitious economic plan for 1988-1992 which aims for sustained growth in investment, jobs, output and productivity as well as a slackening in domestic demand, a focus on exports and top priority for education and job training.

It requires strong annual growth in gross domestic product of 3.75 per cent, needed to bridge the gap between Portugal and its European Community partners.

Consumption is projected to grow at only 4 per cent per year, compared with an annual average of nearly 10 per cent over the past three years. Production is also projected to rise at 4 per cent a year.

Investment, which went up by 15 per cent in 1986 and 20 per cent last year, must, under the plan, sustain 7.25 per cent annual growth, causing unemployment to drop to 5.7 per cent by 1992.

A gradual shift of labour from farming, which now occupies 20 per cent of the population, to building and services is forecast.

The plan is looking for a balance between capital-intensive and labour-intensive investment. It also calls for a balance between manufacturing a wider range of products for the domestic market (to ease dependence on imports) and maximum use of export potential, with particular stress on such new exports as transport and electronic equipment.

The intention is to ensure export growth of 6.25 per cent a year, while holding import growth to 6.75 per cent, half the current rate.

Strained by a visible trade gap that reached $2bn by June, the current account risks going into deficit this year for the first time in three years.

The plan sets a target for the balance of payments of $400m surplus a year, and calls for more tourism to offset trade balance problems.

Education and job training are seen as of the utmost priority. Between now and 1992, Es220bn (£840m) – an average annual increase of 20 per cent – is to be spent on them.

Kurds to return to Iraq from Turkey

By Jim Bodgener in Ankara

MORE THAN 400 Iraqi Kurdish refugees will go back voluntarily into Iraq from Turkey at the Habur border gate this afternoon, the Turkish Foreign Ministry said yesterday.

The refugees were among many thousands which in late August and September fled the campaign waged by Iraq's fifth army against Iraqi Kurdish insurgents.

The returnees will leave Turkey on the penultimate day of an amnesty offer set by Iraq. It is unclear what treatment might be meted out to Iraqi Kurds returning once it expires.

Red Cross workers negotiating with the Iraqi authorities for the voluntary repatriation of refugees said over the weekend that they were pulling out of the talks because Iraq had not provided sufficient guarantees for the their safe passage or treatment.

The matter will have to be dealt with bilaterally between Turkey and Iraq, as the latter had wanted.

According to Goverment estimates there are at least 50,000 refugees in Turkey. Around 1,000 have asked for repatriation.

Most have opted to stay in Turkey, and of which some may be moved from their makeshift camps near the border in the south-east to more permanent accommodation in more temperate climes as Turkey's winter approaches.

Iran has said it will take some. Others have chosen to take up limited offers of asylum from European countries.

Genoa port chairman to quit after restructuring

By Alan Friedman in Milan

MR ROBERTO D'Alessandro, chairman of the Genoa port authority who, since 1984, has engineered a textbook improvement in the shipping fortunes of the Ligurian capital, is to resign at the end of this year.

The 53-year-old former executive at Fiat, Pirelli and Zanussi has announced that he will not be a candidate for a second five-year term. Mr D'Alessandro said he felt he had succeeded with his programme of restructuring.

The latter has seen monthly losses of L10bn ($7.1m) in 1984 transformed to break-even last year and expected profit of L16bn for 1988. The number of dock workers has been reduced by two-thirds and port authority employees halved since 1984.

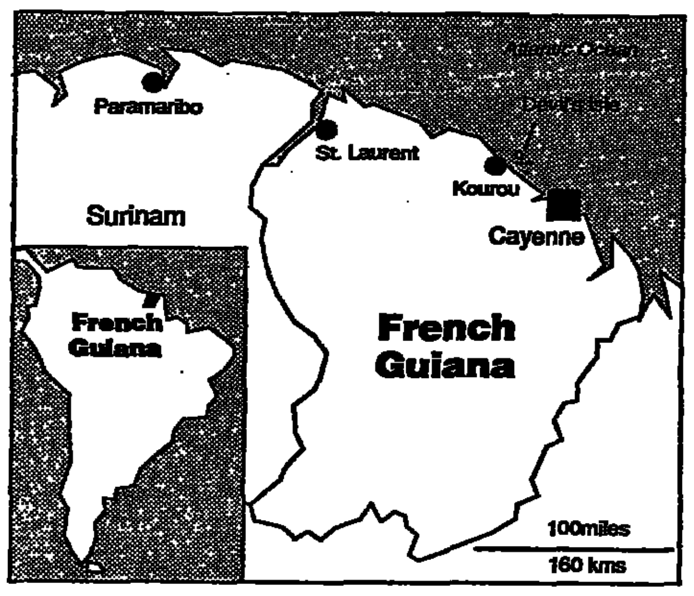
Mr D'Alessandro also engaged in an aggressive international marketing drive to recoup lost clients. He invested in a new container terminal and has frozen Genoa's tariffs. As a result, Genoa has recovered business.

Ariane lifts prospects for French Guiana

Paul Betts looks at a rapid pace of change as the space-age arrives in the tropics

French Guiana, explained the government official sweating profusely in the tropical mid-day sun, used to be synonymous with the Compagnie des Indes Occidentales. "But the ubiquitous French West Indies company, established by Colbert which virtually owned and ran Guiana has now been replaced by another perfectly French insititution, the CNES, or French space agency," he added.

The Centre National d'Etudes Spatiales (CNES) is today omnipresent in Guiana. It is the territory's principal source of income and development. It owns not only the French space centre of Kourou but one of the best hotels, the Hotel des Roches, as well as the Devil's Islands which once housed France's infamous penal colony.



On one of the islands, the CNES has restored an old prison building into a pleasant hotel which has to be evacuated each time an Ariane rocket is launched from the mainland across the murky shark-infested Atlantic waters.

At weekends, space centre engineers and their families come to fish and picnic on the islands. Here they mingle with officers of the Foreign Legion who have built for themselves a Riviera-type villa amid the coconuts and giant lizards.

"This place has been undergoing an extraordinary transformation during the last few years," said a representative of the European Arianespace company, which is responsible for the commercial marketing of the European Ariane space programme. "From a tiny village, Kourou has grown into the second largest town of Guiana. Barely 10 years ago, the Foreign Legion barracks marked the beginning of the town. Today the Foreign Legion is bang in the middle of Kourou," he added.

Kourou, with its tall rocket launch pads sticking up like incongruous skyscrapers in the jungle clearing, already has a population of 12,000.

It is expected to grow to 20,000 during the next few years as the space centre pursues its investments and expansion, boosted by the commercial success of Ariane.

These figures may still seem inconsequential, but they are highly significant for Guiana whose total population is only 80,000 people of whom 30,000 live in the capital Cayenne, a ramshackled mixture of colonial architecture and modern French small-town suburbia with the inconveniences of mosquitoes and venomous snakes in hotel bedrooms.

Although France first decided to establish its space centre in Guiana in 1964, it is only during the last few years that the space business has taken off with the recent exploits of Ariane. Since the beginning, 25 Ariane rockets have been launched from Kourou of which 21 have been successful. By the end of this year, 99 Ariane rockets will have been ordered.

Guiana, which for centuries has been one of the poorest and most miserable parts of the French colonial empire, has found – for the first time in its unhappy history – a fresh lease of life thanks to the French space industry. Kourou, with its rocket launch pads sticking up like skyscrapers in the jungle clearing, has grown into the second largest town after the capital Cayenne.

The problems of the American space programme – which last week made its first launch for nearly three years after the Challenger disaster – has further boosted the commercial prospects of the European rocket and given a little more hope of economic development for the people of Guiana.

The Kourou space centre, which today employs directly about 1,250 people compared with barely 100 in 1967, has acted as a driving force to stimulate productive investment in Guiana. The space centre has spent in capital and operating expenses FFr11.6bn ($1.8bn) during the last 20 years.

It is now engaged in a FFr4bn six-year investment programme to build additional infrastructure for the space programme. It now plans to spend about FFr1.2bn a year until 1995 in capital and operating expenses. The French authorities are also envisaging spending FFr2.2 bn on a hydro-electric project, a further FFr220m on new road construction as well as other key infrastructure programmes.

But Guiana and the French authorities still face a herculean task to regenerate the territory which has suffered from centuries of neglect and from the image of its penal colony. Indeed, during almost a century, up to as late as 1946, some 80,000 convicts were transported to Guiana.

Among the most famous convicts were Alfred Dreyfus, who lived in complete islolation on Devil's Island for four years, and Henri Charrière, better known as Papillon, who subsequently wrote a best-seller on his 13 years spent as a prisoner in Guiana.

The territory continues to be heavily dependent on imports for its food and other basic necessities. Its trade deficit is chronic with about FFr 2bn in annual imports covered by only about FFr 250m worth of exports, mainly shrimps, wood, and a little gold.

As for tourism there is little chance of it catching on. "The climate is impossible, the sea is permanently brown, the insects are pretty dreadful. Even the space centre can't really hope to transform Devil's Island into a new Club Med camp," remarked a local official

Caricom puts old constraints behind it

Canute James reports on a new lease of life for the Caribbean Economic Community

THE Caribbean Economic Community (Caricom) took a new lease of life this week. After a decade and a half of uncertainty, some confusion and no small amount of acrimony, the 13 members have dismantled all barriers to trade within the community.

But for a handful of goods, trade among the community's members will no longer be subject to qualitative and quantitative restrictions, and import controls such as licensing have been deregulated.

Free trade among member states will give a fillip to the economies of the struggling organisation, which is made up of the English-speaking countries of the region, including Belize in Central America and Guyana in South America, and which has a market of 5.5m people.

Since it was launched in 1973 the community has struggled to achieve the ideal of free trade. It argued that this would improve the competitiveness of regionally-produced goods, cut imports from third countries, conserve hard currency expenditure, strengthen the community's manufacturing sector and create jobs in a region where unemployment averages 20 per cent. The aim was to make regional economies less dependent on one or two sectors.

Ironically, the very governments which argued for a dismantling of barriers found themselves unable to implement these policies. Parochial concerns about injury to domestic industry and shortages of foreign currency to finance imports forced many countries to restrict imports from their neighbours. Rows between manufacturers, exporters and trade ministers, accompanied by charges and counter-charges of sabotaging the community's interests, were common.

The effect of this is reflected in a steady decline in the value of trade within the community. This fell from $598.3m in 1981 to $295m in 1986. It recovered to reach $317m (£186m) last year. Officials of the Community secretariat in Guyana say they expect the value of trade to continue increasing, stimulated by this week's agreement for free trade.

It is accepted in the community that the concerns of some governments and manufacturers over likely damage to weak, fledgling industries, particularly in the smaller community members in the eastern Caribbean, are justified. The community has consequently agreed a list of products produced in these countries which will be allowed some protection, but for no longer than three years. The governments – St Lucia, Grenada, Dominica, St Vincent, Montserrat, St Kitts, Antigua and Belize – argued successfully for temporary protection for 17 products.

"Intra-regional trade will benefit from this agreement," said Mr Marcus de Freitas, the St Vincent Trade Minister. "I believe that the agreement will make manufacturers satisfied, and they have got some lead time in which to catch up, because there won't be any protection after three years."

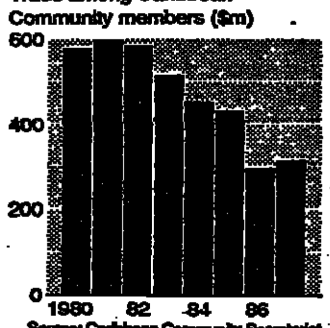
The products which have been granted such relaxation include solar water heaters, wooden furniture, mattresses, industrial gases, wheat flour, margarine, lard and shortening. The list will be subject to annual review by the community's trade ministers, and items will be removed when they are considered strong enough to face competition.

The eight countries which are being allowed to ease the rules have committed themselves to filling shortfalls in their own markets by purchasing from the other community members.

Mr Hayden Blades, director of trade and agriculture at the community's secretariat, said one aim of the agreement was to prevent a reduction of the access which some member countries had to the markets of those allowed to maintain restrictions. According to one Barbadian manufacturer, a loss of market share in the smaller community members "would invite retaliation to such a degree that not only the agreement on free trade but the future of the community itself would be endangered."

Caribbean

Trade among Caribbean Community members ($m)



Source: Caribbean Community Secretariat

Despite the concessions made by the Caribbean Community to its smaller members, there is still some confusion over the likely benefits of the free trade agreement. Mr George Mallet, St Lucia Trade Minister, said his country would benefit from the new arrangements and would reduce its imports from third countries.

"What we have to do is to restrict our imports of these goods so as to protect those operations for which we were unable to get the three years' protection," he said. St Lucia's exports to its community partners increased 31 per cent last year and Mr Mallet predicted continued growth.

But Mr Jeffrey Deveaux, president of the St Lucia Chamber of Commerce, is predicting some casualties in eastern Caribbean industry. He said some industries would fail.

Despite the significance which community members attach to the implementation of the free trade agreement this week, the group's trading structure is under pressure from two fronts. Caricom has failed after many years to create an export bank to provide pre- and post-shipment financing for non-traditional exports produced by members of the group.

The community countries have found only $16m for the bank, when they had been hoping to raise $70m, following the collapse five years ago of a regional trade payments facility which had reached its $100m credit ceiling. The group is now considering a trade financing window at the Caribbean Development Bank.

Second, Trinidad and Tobago's 15 per cent currency devaluation in August has put many of its community partners under pressure.

US backs Puerto Rico plant-share venture

THE Caribbean's first production-sharing plant to be financed with Puerto Rico's Section 986 funds has received US Treasury approval, Larry Luxner reports from San Juan, Puerto Rico.

Section 936 funds are deposited in Puerto Rico banks by US companies manufacturing there under the provisions of the US Internal Revenue Code.

The venture, a corrugated box operation involving Puerto Rico Container and the Dominica Banana Growers Association, requires a $2.5m (£1.5m) investment in Dominica and $500,000 in Puerto Rico, according to Mr Roberto Valentin, president of Puerto Rico Container. Production begins in December.

Plans call for the boxes to be assembled in Dominica – using materials made in Puerto Rico – and bought by the Dominica Banana Growers Association to pack bananas, the island nation's main export. During the first year, production at the plant is expected to total between 4m and 6m boxes.

Mr Valentin estimates that his company will save $100,000 a year by using Section 936 funds at 8 per cent interest rather than borrowing the money commercially.

Japanese silicon suppliers named in anti-trust suit

By Louise Kehoe in San Francisco

JAPANESE PRODUCERS of the silicon wafers used to make semiconductor chips have operated a purchasing cartel to control the price of the raw material for silicon wafers, Union Carbide of the US has charged in an anti-trust suit filed in San Francisco.

Union Carbide is seeking "substantial" damages – according to their lawyer – for the losses it claims to have suffered as a result of the alleged conspiracy as well as a court order prohibiting price fixing.

Seven Japanese companies, all producers of silicon wafers, are named in the suit which alleges that they conspired to prevent US polysilicon producers from exporting to Japan.

The defendants are Komatsu Electric Metals, its parent company Komatsu, Mitsubishi Metal, Nippon Silicon, Osaka Titanium, Shin Etsu Handotai and Tokuyama Soda.

The suit is the first to address growing concerns in the US semiconductor industry and within the US Department of Defence about Japanese domination of the market for materials essential to semiconductor production. According to the suit, the Japanese companies have exchanged information about production costs, prices, supply and demand and strategic plans under the guise of an "industry study group" formed in 1983. The Japanese companies arranged to "deplete inventories, to refrain from bidding against one another for supplies [of polysilicon] in order to minimise open market price increases and otherwise set purchase prices," the suit alleges.

As a result, Union Carbide and other US and European polysilicon suppliers have been excluded from the Japanese market, the company claims.

In the early 1980s, the silicon wafer market was shared in roughly equal portions between US, European and Japanese firms. Today, however, Japanese companies control more than 55 per cent of the world market.

UK textile sector in EC quota protest

By Alice Rawsthorn in London

THE UK textile industry is lobbying against proposals for the European Community to introduce Community-wide textile quotas when the unified European market comes into force after 1992.

Under the present system, quotas regulating imports of textiles are set on a country-by-country basis under the terms of the Multi-Fibre Arrangement (MFA), the trading agreement regulating the world textile trade under the aegis of the General Agreement on Tariffs and Trade.

The European Commission has not yet decided how the present quota system should be reformed to accommodate the unified market.

It is understood to be likely to favour the replacement of national quotas by a multilateral system whereby quotas would apply across the Community. In theory, the UK textile market – with a higher concentration of retail power than other European countries – would be the most vulnerable area of the Community if multilateral quotas were introduced.

Most European clothing markets are fragmented, with power divided among hundreds of retail groups. But the UK market is highly concentrated, with over a third of all sales controlled by five companies.

This makes it comparatively easy for overseas suppliers to penetrate the UK market. Under the present system, the national quotas impose a ceiling on the volume of imports coming into the UK. If Community-wide quotas were imposed, in theory there would be no such restraint.

End intellectual property rights deadlock, says US

By William Dullforce in Geneva

THE US is insisting that the deadlock over intellectual property rights in the Uruguay round of trade liberalisation talks has to be resolved at the ministerial meeting of the General Agreement on Tariffs and Trade at Montreal in December.

Mr Clayton Yeutter, US Trade Representative, told trade ministers at their meeting in Islamabad at the weekend that the US wanted agreement to introduce into Gatt acceptable standards and norms for intellectual property rights, and procedures for enforcing them both at the border and domestically.

Intellectual property includes patents, trademarks and copyrights. Talks on them in the Uruguay round are stalled over some developing countries' resistance to discussing what they regard as the industrial nations' attempt to protect "monopoly" rights of intellectual property holders.

The eyes of the world were focused on the European Community after the US declaration at Islamabad that it was ready to discuss short-term action on agricultural reform, Mr Michael Samuels, the chief US delegate to Gatt, said yesterday.

Trade ministers' mid-term review of the Uruguay round would be a failure if the EC did not respond to the US initiative, he added. The US move puts pressure on Brussels to make a reciprocating commitment on long-term farm reform.

In another initiative at Islamabad calculated to worry the EC, Mr Yeutter said the US would commit itself to reaching agreement on safeguards in the Uruguay round.

Japanese airline to buy Boeing aircraft

ALL-NIPPON Airways, Japan's second largest airline after Japan Air Lines, has decided to purchase six or seven Boeing 747-400 airliners at a cost of $120m (£75m) per aircraft, writes Ian Rodger in Tokyo.

ANA said yesterday it was still studying what engine to buy, and hoped to make a decision by the end of the year. Two US suppliers, Pratt & Whitney and General Electric, and Rolls Royce of the UK, are competing for the contract.

Seoul and Tokyo in shipbuilding talks

SENIOR OFFICIALS from the European Commission and the Japanese and South Korean Governments are to stage fresh talks next week on possible joint action to cut shipbuilding overcapacity and improve prices, writes William Dawkins in Brussels. The meetings in Tokyo will be the fourth attempt to seek a common approach to the ills of the world shipbuilding since the Commission launched talks on the issue last March.

Commission slaps 69% tariff on Chinese brushes

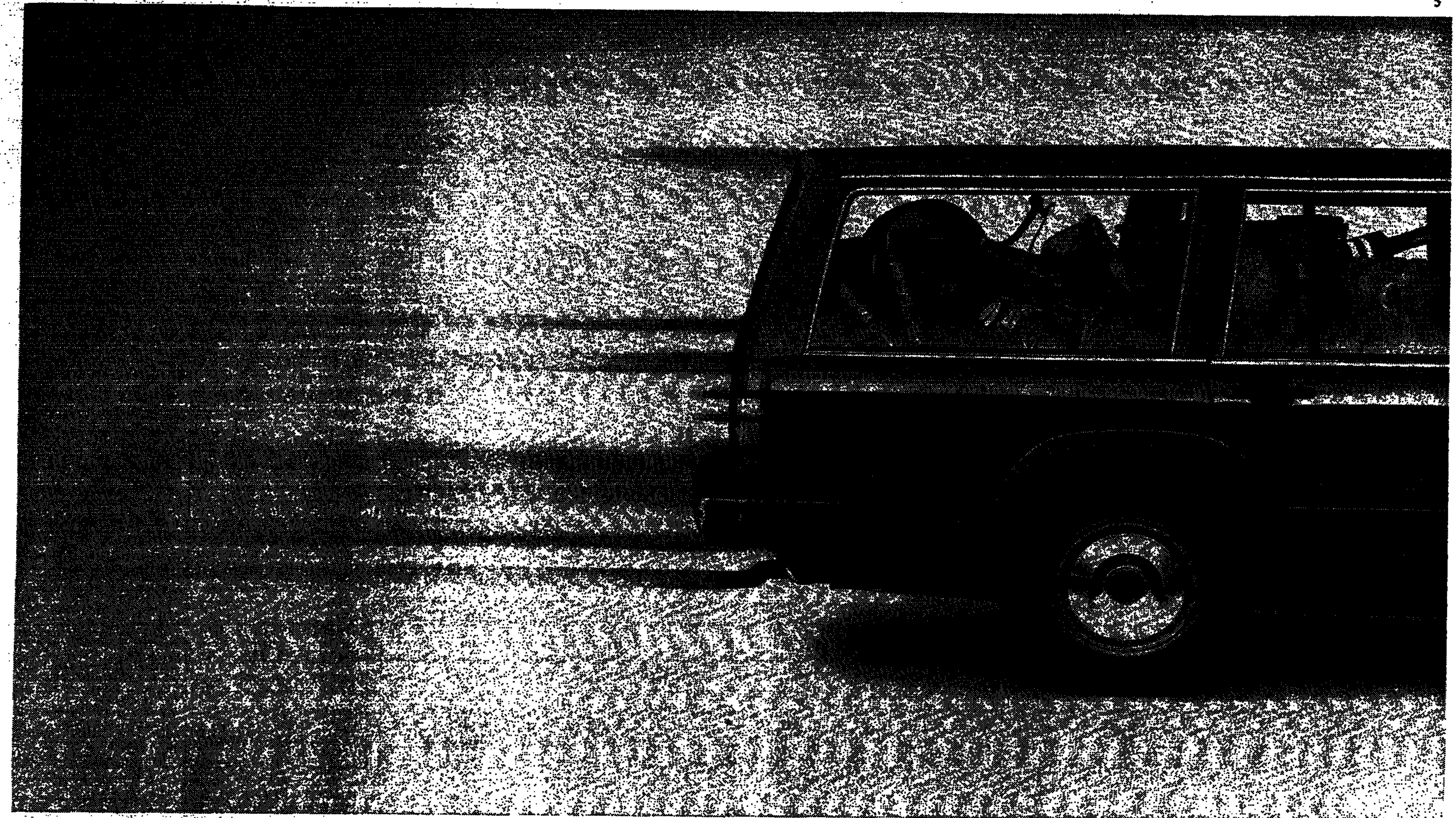
By William Dawkins in Brussels

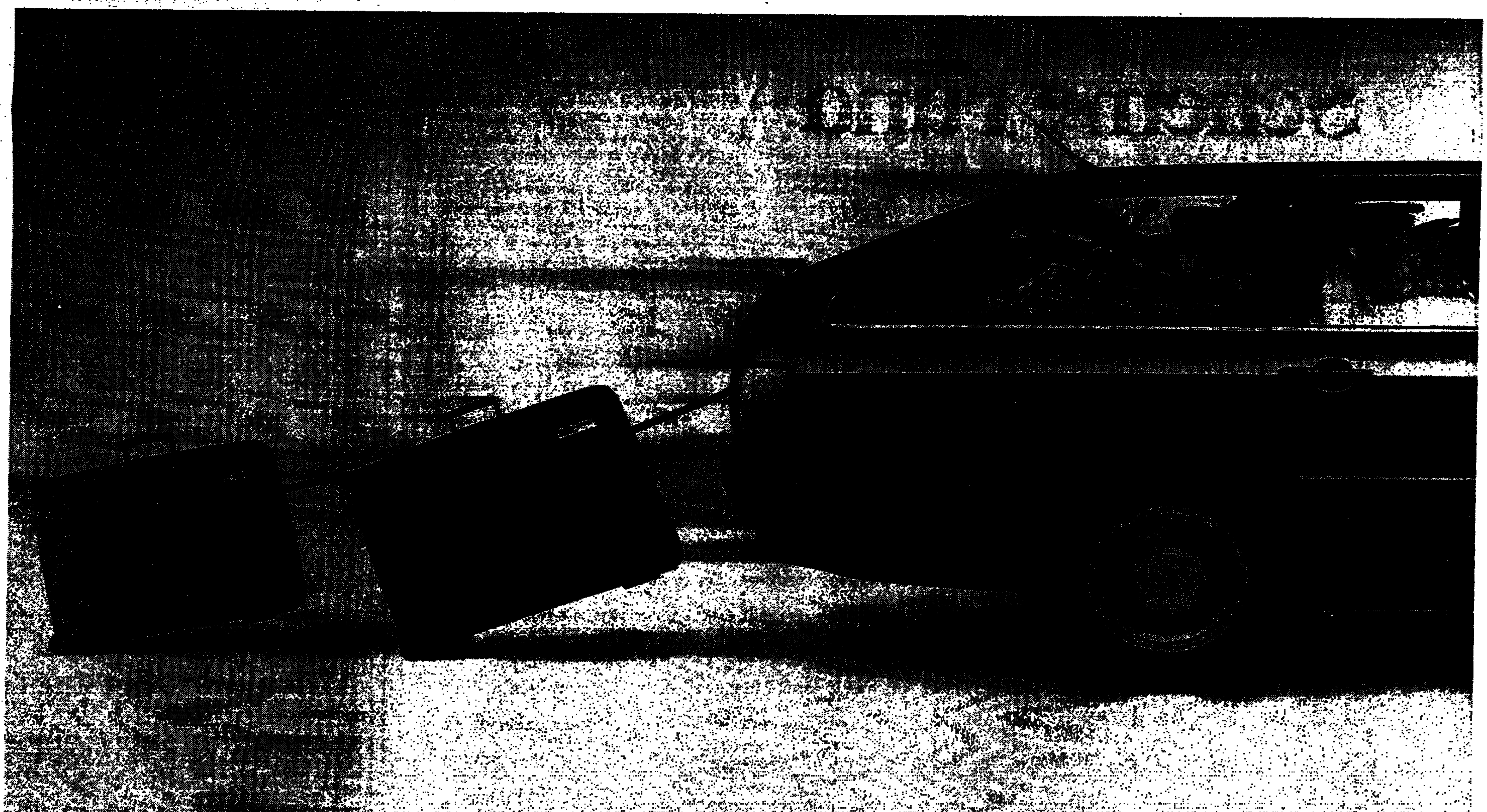
CHINESE exporters yesterday had an expensive brush with European Community trade laws – and the result threatens to leave both sides bristling with irritation.

The European Commission announced that it had slapped provisional anti-dumping duties of 69 per cent on EC imports of Chinese brushes, including whitewash, varnish and ordinary paint brushes. The fines are not enormous by the standards of EC anti-dumping levies on some other Far Eastern countries but are unusually high in percentage terms. Some national officials were last night painting a black picture of a possibly severe Chinese response.

If confirmed by EC Governments, the fines will cost the Chinese monopoly supplier of paint brushes, the picturesquely named China National Native Produce & Animal By-Products Import & Export Corporation, some Ecu4.7m ($5m) out of its Ecu6.8m worth of EC paintbrush sales. They come in response to complaints by the FEIBP, the European paint brush makers' federation, a mostly UK and German lobby group, including among its members British-based L.G.Harris and Kronen Pinselfabrik of Lohme.

Brussels opened an inquiry into alleged brush-dumping two years ago after the federation drew attention to an unusually sharp rise in Chinese imports – from Ecu1.3m to Ecu3m in the UK, one of worst-hit countries.





Uncertain fate of 20 hostages

By Victor Mallet

MR MITHILESHWAR Singh, the 61-year-old Indian professor released by his Lebanese captors in Beirut on Monday, prepared to fly back to his home in the US yesterday after being handed over by Syrian authorities to the US Ambassador in Damascus.

But the fate of more than 20 other foreigners held hostage in Lebanon – including Mr Singh's three American colleagues abducted with him from the Beirut University College in January last year – remained uncertain.

The State Department in Washington and the British Foreign Office both said they had no information to suggest that further releases were imminent. President Ronald Reagan yesterday again ruled out negotiations with the pro-Iranian groups believed to be holding the remaining nine US hostages.

Mr Singh, who was held by a group calling itself the Islamic Jihad for the Liberation of Palestine, said he was treated better than he expected and provided with medicine for his diabetes.

Release of Beirut hostage leaves experts guessing

By Edward Mortimer

READING THE minds of hostage-takers in Lebanon has, in recent years, become a sub-branch of political science beside which Kremlinology is kindergarten stuff – part of the difficulty being that one of the main objects of the hostage-takers is, in all probability, to bamboozle and manipulate the very Western experts who are trying to make sense of them.

It is therefore very hard to be sure what precisely lies behind the release on Monday night of Mr Mithileshwar Singh, a 61-year-old Indian with a US residence permit; and *a fortiori* hard to know whether it augurs well for any of the other 21 foreigners still missing in Lebanon.

The particular group which was holding Mr Singh, and still holds his three American colleagues from the faculty of Beirut University College, calls itself "Islamic Jihad for the Liberation of Palestine" - a name that was assumed to be an alternative for the group calling itself simply "Islamic Jihad", which in turn is closely linked to the pro-Iranian Lebanese Shiite movement Hizbollah ("God's Party").

Lately however there have been some signs that it has a genuinely separate existence, and may be more prone to Syrian pressure than are Hizbollah and Islamic Jihad.

All the hostage-holding groups have been under pressure since Syrian troops moved into West Beirut in February 1987. Hizbollah's military control is now limited to an area of a few blocks backing on to the "green line" which separates Moslem West from Christian East Beirut, and it is in this area that all but one of the remaining Western hostages are thought to be held.

Despite Syria's interest in obtaining the release of the existing hostages, it has not been prepared to stage an all-out military assault for fear of suffering heavy casualties in the street fighting.

That leaves Iran as the only power which *may* be able to secure the hostages' freedom. It did so in the case of the French hostages, who were released in May as part of a deal including the restoration of Franco-Iranian diplomatic relations. Britain, and since the "Irangate" scandal also the US, have consistently refused, in all their public statements, to contemplate such deals.

British officials insist that the current talks in Geneva on resumption of Anglo-Iranian relations are quite separate from the hostage issue, and even claim to accept Iranian offers to try to help secure the hostages' release as made in good faith – apparently accepting that Iran does not have total control of the hostage-holding groups.

That may be correct at least as far as the Iranian foreign ministry, which conducts the talks with Britain, is concerned. But it is still quite likely that the hostages' fate depends ultimately on the outcome of an internal power struggle within the Iranian regime. Mr Ali Akbar Mohtashami, the Iranian Interior Minister, was closely involved in Lebanese affairs as ambassador to Syria and is alleged by some Iranians to have the foreign hostages "in his pocket".

Mr Mohtashami is widely seen as a leading "radical" in Iranian politics. For the moment, however, it is the "pragmatists" favouring better relations with non-Moslem states who seem to be gaining ground in Iran, and that must be good news for the hostages in Lebanon.

Violence disrupts Karachi life

By John Ridding

KARACHI, Pakistan's business capital, has been brought to a virtual standstill following a wave of ethnic violence in the city which has claimed more than 70 lives since Saturday.

The killings were triggered by similar ethnic strife in Hyderabad, also in the southern province of Sind, where 185 people are now believed to have died.

Although a curfew in many areas of Karachi has reduced the level of violence, economic activity has been seriously disrupted. Many workers have been unable to get to work because of the curfew and industrialists yesterday appealed to the Government to co-ordinate curfew breaks to allow workers to travel to and from factories.

The survey's findings illustrate the importance of Karachi to the national economy. The city accounts for about half of Pakistan's industries and an estimated 42 per cent of value added in manufacturing. Virtually all overseas trade passes through its port and almost 25 per cent of federal revenues come from the city and its port.

Mr Ejaz Sahfi, Convenor of the Chamber of Industries, said yesterday that the crisis was costing the Government about Rs30m (£940,000) a day in lost excise duty and sales tax.

Indian temple protest defeated

By K.K. Sharma in New Delhi

AN ATTEMPT by a group of *harijans* (untouchables) to enter an historic Hindu temple at the holy town of Nathdwara in Rajasthan state failed on Monday evening when high-caste priests and others beat them back with sticks, injuring at least six.

The attempt was organised by social reformers to coincide with the 120th anniversary of the birth of Mahatma Gandhi, the spiritual founder of independent India, who named the untouchables "*harijans*" (children of God).

Untouchability is banned under the Indian constitution but continues to be practised by millions of higher-caste Hindus all over the country. *Harijans* are particularly discouraged from entering Hindu temples.

Swami Agnivesh, a prominent social reformer, has led the movement for the unrestricted entry of *harijans* into temples and has made the Nathdwara temple a test case. Monday's attempted entry into the shrine came after a ruling by the Rajasthan high court that *harijans* could not be forbidden to visit the temple.

Reports from Nathdwara say a large contingent of police, deployed by the state government to maintain peace, took no action to prevent the attack despite the high court ruling.

Extremists may be barred from Israeli poll

KACH, the extreme right-wing Israeli party headed by Rabbi Meir Kahane, faces the prospect of being barred from taking part in the country's general election, on November 1, at a meeting today of the Election Commission, Andrew Whitley reports from Jerusalem.

Both the two leading parties, Likud and the Labour Alignment, have appealed to the 41-member commission to disqualify Kach, on the grounds that its political platform is both undemocratic and racist.

An overt advocate of the expulsion of Palestinians living in the occupied territories, Rabbi Kahane caused a political uproar in Israel by winning a parliamentary seat in the 1984 elections. Latest opinion polls suggest that a recent upsurge in popular support, particularly among the young, could triple its representation this year.

Accompanying the manoeuvring to ban Kach is a parallel, "balancing" effort by the right to prevent an left-wing fringe party, the Progressive List for Peace from running in the election. The hearing against the PLP is due to take place tomorrow. Both Kach and the PLP are certain to appeal against their expected disqualification to the Supreme Court, setting the stage for a political battle between Israel's left and right-wing camps.

In an election race expected to be decided by a tiny handful of seats, the barring of one, or both, of these fringe parties could have a crucial effect on the outcome.

The PLP currently has two members in the 120-seat Knesset. It is a mixed Jewish/Arab party advocating the establishment of a Palestinian state in the West Bank and Gaza Strip, with its capital in East Jerusalem. It could fall prey to a 1985 law restricting participation in elections to parties recognising the Jewish nature of the Israeli state.

Kaunda denies he will host summit

By Nicholas Woodsworth in Lusaka

PRESIDENT Kenneth Kaunda of Zambia yesterday denied reports that he would be hosting a summit meeting on Southern African peace initiatives.

The Zambian leader also ruled out a meeting with President P.W. Botha of South Africa before elections had taken place in Namibia. Angola, Cuba and South Africa are due to meet in New York this week for the eighth round of talks on independence for the territory and the withdrawal of 50,000 Cuban troops from Angola.

Speculation about an African summit has been growing since mid-September, and was heightened last weekend following discussions in Gabon involving the leaders of Angola, Gabon and Congo.

After that meeting, a wide range of sources including African diplomats, a South African Government official, and the Zairean news agency Azap, claimed that a Lusaka summit involving the leaders of Angola, Congo, Gabon, Zaire and Zambia was being arranged. Observers from Nigeria and the Ivory Coast were also expected.

But Mr Kaunda, speaking in Lusaka during an interview with West German television, said: "There is no summit here at all. The speculation does not make sense."

The meeting was thought to have been part of efforts to reconcile the Angolan Government and the Unita rebel movement led by Dr Jonas Savimbi, which is one of the objectives of the south western Africa negotiations.

Following weekend discussions between President Botha and President Mobutu of Zaire, Azap reported that Mr Botha was also planning to attend the summit. President Kaunda ruled out a meeting on Zambian soil with the South African leader "until certain things are done".

"When he has had elections in Namibia I will organise a summit," Mr Kaunda said. The diplomats do not rule out a regional summit taking place in Lusaka shortly.

Rangoon strikes end

Rangoon began to look something like a normal city yesterday as people went back to work and Burmese army patrols started removing evidence of seven weeks of national revolt, Reuter reports from Rangoon. Buses fuelled with army petrol plied their routes, shops were opened and market stalls were doing a brisk business.

Strikes in virtually every industry and government department ended in Burma on Monday under threats of dismissal and imprisonment from the new military government headed by Gen Saw Maung.

China crackdown

China has ordered a nationwide crackdown on economic crime in a bid to curb worsening inflation, the Economic Daily said, Reuter writes from Peking. The newspaper quoted the State Council (Cabinet) ordering a probe into hoarding, speculation and illegal price rises of steel, copper, oil and other scarce commodities. It said a probe of government departments and state-run companies would begin this month. Its goal was to cut prices and stabilise the market.

Sri Lanka killing

Marxist gunmen ambushed a police car in Colombo yesterday, wounding an inspector heading investigations into the Marxist People's Liberation Front (JVP), a military spokesman said, Reuter reports from Colombo. The spokesman said four others were wounded. He said JVP rebels killed 10 people in the previous 24 hours through Sri Lanka.

Report urges radical Africa debt measures

By Michael Holman, Africa Editor

THE PROBLEM of Africa's unmanageable external debt requires radical measures if it is to be resolved, says a new report*.

The analysis by Oxford International Associates, a group of economists based in Oxford with links to other universities around the world, argues that "traditional relief measures such as rescheduling, even on extended terms, are no longer adequate... they merely postpone the problem and add to its size."

The author of the report is Mr Percy Mistry, Senior Fellow at Queen Elizabeth House, Oxford, and former financial adviser at the World Bank.

External debt of sub-Saharan Africa is put at nearly \$130bn at the end of 1987, with a further \$11bn in arrears. Nearly 80 per cent of the total debt of the 31 low-income countries is owed to official creditors, including the International Monetary Fund.

Measures proposed include:

- Refinancing of payments falling due on non-concessional multilateral loans from the World Bank and the African Development Bank.
- Expanding the Extended Structural Adjustment Facility of the IMF to ensure at least a zero net transfer between the debt distressed countries and the Fund.
- Cancellation of all additional interest charges levied on the interest and arrears portion of Paris Club reschedulings between 1982 and 1988, and refinancing of all adjusted obligations falling due to bilateral creditors (concessional and non-concessional) between 1988 and 1992 on concessional terms.
- Offering private creditors a choice between "securitisation" and "buy backs" for the debt of eligible countries.

**African Debt: The Case for Relief for Sub-Saharan Africa. Oxford International Associates, 2 Church Walk, Oxford OX2 6LY. Tel: 0865 310070. £12.*

OVERSEAS NEWS

Roh ready to go to North Korean capital

Roh: summit call

SOUTH KOREAN President Roh Tae-Woo yesterday renewed a call for summit talks with Mr Kim Il Sung, his North Korean counterpart, and said he was ready to co-operate to end rivalry and confrontation on the divided Korean peninsula, AP writes from Seoul.

Mr Roh also said in a speech to the National Assembly that he would continue to pursue political liberalisation to fulfil his campaign promise of building a democratic society.

"I make it clear that I am willing to visit Pyongyang to meet him [Kim Il Sung], if the North is agreeable," Mr Roh said in a televised speech.

Mr Roh announced in his speech a 1989 government budget of $27bn, up 10.9 per cent from this year. The speech also covered the long-term policy goals of Mr Roh's Government.

His speech drew a cool response from Mr Kim Dae-jung's main opposition group, the Party for Peace and Democracy, which voiced discontent with the Government's refusal to release all "prisoners of conscience".

About a dozen PPD members boycotted Mr Roh's speech. Other party members on hand also remained seated and refused to applaud as the President walked into the main assembly hall to make the speech.

Hailing South Korea's successful hosting of the Olympics as a turning point, Mr Roh said he would make efforts to improve relations with North Korea during his five-year term, which ends in 1992.

"During my tenure, I will endeavour to bring about a spring of reconciliation between the South and the North, which have remained in a deep freeze for 40 years," he said. It is unclear whether the proposed summit could take place in the near future. It would be the first on relations between the two Korean states.

Taipei investors come back to the gaming table

Bob King reports that Taiwan's stock exchange has recovered from the shock of a capital gains tax

TAIWAN'S seemingly-miraculous stock index seems poised to continue its rise after a perilous dip following a government announcement that it would reimpose capital gains taxes from the beginning of January.

By the end of September the index had risen 300 per cent over its level at the start of the year. Although yesterday the index dropped a further 194.25 points to 7,796.5 – far below its level of 8,789.78 on September 24 when the Finance Ministry announced the new tax – trading volume was more than T$37bn (£755m), not far short of the daily average of T$40-$50bn reached in the weeks before the announcement.

That resurgence of trading activity – a far cry from the dismal T$280m registered on September 29, the first day of trading following the announcement – led an official of the exchange to predict yesterday that within a couple of days the index would resume its rise as investors re-entered the market.

If the Government was to blame for the fall in prices, it also can claim the credit for the renewed activity. Ms Shirley Kuo, the new Finance Minister and Taiwan's first female cabinet member, initially said that on January 1 it would begin taxing capital gains on transactions by individuals that exceeded T$3m during the calendar year.

A year later, all transactions would be subject to the tax, Ms Kuo said.

But, faced with vocal opposition by investors, stock brokers and not a few members of parliament, and with the alarming drop in the Taiex market index, Ms Kuo raised the ceiling on exempt transactions to T$10m and, as a further gesture of goodwill, halved the surcharge on individual transactions from 0.3 per cent to 0.15 per cent.

That ploy appears to have worked. For the first time in several days, subjects other than the Finance Ministry's decision were the major topics of debate in Taiwan's parliament.

Beyond these events, however, analysts are still at a loss to explain the Taiwan market's performance this year.

At bedrock they cite the obvious: too much disposable income in the economy competing for far too few outlets for investment. As a result of the pressure, the prices of both shares and property have gone through the roof. The Taiex, for instance, has climbed about threefold from the start of the year and apartments command double the price of a year ago.

Even given these factors, though, the price-earnings ratios of some of Taiwan's 130-odd listed shares are in the range of 200 and the market capitalisation of just one of Taiwan's listed commercial banks was enough to purchase a major multinational such as Chase Manhattan.

Analysts connected with government-approved mutual funds, the only channel through which foreigners may legally purchase shares in Taiwan companies, have pointed for months to such fundamental divergences from what are considered normal world market conditions as indicators of a severe crash to come in Taiwan.

Clearly, the financial authorities have not overlooked these clear signs of peril. One of the first charges levelled at the decision to reimpose capital gains taxes was that the Government was seeking to intervene to cool off the market – which Ms Kuo promptly denied.

Still, it is obvious that Taiwan's market differs sharply from other bourses worldwide. For one thing, individual investors rather than institutions lead the market; an exchange official says it would not be unreasonable to assume that 85 per cent of the investment in the Taipei exchange comes from small, private investors.

These investors have a mentality of their own, and one which often has little to do with economic fundamentals. "These people play the market as if they were at the mahjong table," growled one seasoned observer of the Taipei scene, referring to a popular Chinese game of chance.

That gaming mentality, together with an unclear understanding of the relationship between risk and return, was highlighted a year ago when the severely-overheated index – then around 4,700 points – began a sharp decline that ended 2,000 points later in December 1987.

At that time, thousands of small investors besieged the Securities and Exchange Commission as well as other government offices to demand that the Government intervene to prop up the market and to compensate them for their losses.

Now those same investors have been howling about government intervention in the form of a capital gains tax that investors in most other countries take for granted. Their tantrums seem to have won at least a small concession that for the moment has staved off possible massive defaults and a collapse of the market.

BUSINESS SEEKS TO AVOID DISRESPECT TO MONARCH

Emperor's illness slows Japan

By Ian Rodger in Tokyo

JAPANESE reaction to the continuing serious illness of Emperor Hirohito has been so strong that economists in Tokyo are beginning to be concerned about what impact it is having on the economy.

According to one report yesterday, if the emperor dies this year, it could knock as much as 1 per cent off the gross domestic product growth rate, although many analysts suspect that the net effect will be minimal.

Activity in many service sectors, especially the hotel and catering trade, has dropped dramatically in the past two weeks as large numbers of business parties and weddings have been cancelled.

Also, the general rhythm of commerce has slowed perceptibly because companies do not want to be accused of being disrespectful to the emperor. Advertising volume in newspapers and on television has dropped noticeably. Stock market volume has also fallen.

If the emperor dies, there will be a period when all businesses close – widely expected to be one or, at most, two days – resulting in a significant reduction of output. Also, the subdued pace of business is likely to continue for several weeks during the official mourning period.

On the other hand, analysts point out that there will be a general desire to get the new era off to a strong start, and so much of what has been lost could soon be recovered, especially in the manufacturing sectors.

Calculation of the effects of the emperor's illness is difficult because most business leaders do not want to talk about it. For example, an official at Dentsu, the leading advertising agency, said the company had no figures on the decline of bookings in the past three weeks. He acknowledged, however, that the mood in the country was "extraordinary".

Furthermore, the Japanese authorities refuse to reveal exactly what will happen in the way of holidays and official ceremonies if the emperor dies.

The main impact will be in the service sectors. The lost revenue from electricity that is not consumed, advertising that is not placed, telephone calls that are not made and taxis that are not taken cannot be recovered. If the emperor dies, radio and television stations have agreed to drop all advertising for two days. However, their programming costs will continue.

Manufacturers expect to make up for lost production by redoubling efforts at the beginning of the new era.

A couple of business sectors – paper and printing – will in fact benefit from the transition. Japan operates on a calendar based on, and named, after the living emperor's reign. This year is Showa 63, reflecting Emperor Hirohito's 63 years on the Chrysanthemum throne. When a new era begins, all legal documents, from drivers' licenses to contracts, will have to be reprinted and reissued.

Also, there has long been speculation that the Bank of Japan might take advantage of the occasion to redenominate the inconvenient yen.

The impact of the emperor's illness on the stock market is particularly difficult to assess. Stock market activity has been declining in the past two weeks, and there have been reports that the Ministry of Finance has asked brokers to scale down marketing efforts.

Marketing of the large new issue of Nippon Telegraph and Telephone shares this month is also expected to be carried out at a more dignified level than expected. The message is that it is improper to be seen to be profiting from the emperor's illness.

Brokers also fear arousing the wrath of Japan's unruly right-wing groups whose standard tactic is to assemble a group of loudspeaker trucks outside the office of a company that has offended them and hurl abuse at the company at a deafening pitch.

Mr Richard Jerram, an economist at Kleinwort Benson International in Tokyo, has predicted that the overall effect of these forces could be to reduce GNP growth this year by 0.25 per cent.

"Of course it is impossible to gauge the effect of the loss of a man who has been the spiritual head of Japan since 1925, but on purely economic terms it is likely to result in distortions to economic data, with a weak performance in the month of the Emperor's passing offset by stronger demand in some sectors afterwards," he wrote in a report last week.

Aquino postpones local elections in villages

By Richard Gourlay in Manila

PRESIDENT Corazon Aquino has won Congressional support for a postponement of village elections – the last step back to full democracy in the Philippines – arguing that polls set for next month would hinder economic recovery and the army's counter-insurgency efforts.

Her decision has been influenced by Mr Fidel Ramos, the Defence Secretary, who argues that November elections will play into the hands of the communist-led New People's Army guerrillas.

A spokesman for Mrs Aquino said yesterday that by next March, when the polls will probably be held, a new counter-insurgency strategy would have started to bite and the army be better prepared for elections especially in the 8,500 villages, or *barangays*, "influenced or infiltrated" by the NPA.

Under Philippine election law all local government spending has to stop for 45 days before the polls to avoid pork barrel projects. Governors and economic planners have told Mrs Aquino that spending on local projects, which are already behind target, would take three months to resume after the elections and might lead to the return of unused funds to central government.

Congress will have to approve a bill setting a new election date.

The elections for officials in more than 42,000 *barangays*, the smallest local government unit, and congressional and municipal elections over the last 18 months, follow 14 years of dictatorship that ended when President Ferdinand Marcos was deposed in February 1986.

Japan air industry lift-off

By Michael Donne, Aerospace Correspondent

THE JAPANESE aerospace industry is now expanding rapidly, and its turnover could grow from the current $7bn annually to $25-30bn by the end of this century, rising significantly thereafter.

An analysis of the industry, prepared by international consultants Booz Allen & Hamilton of New York, suggests that its development "is strategically central to Japan's vision of its future world role."

Mr John R Harbison, a vice president of Booz Allen specialising in strategic planning for the aerospace and defence industries, says "the clear goal is to establish a world-class aerospace industry" based on high technology, quality and shorter development times.

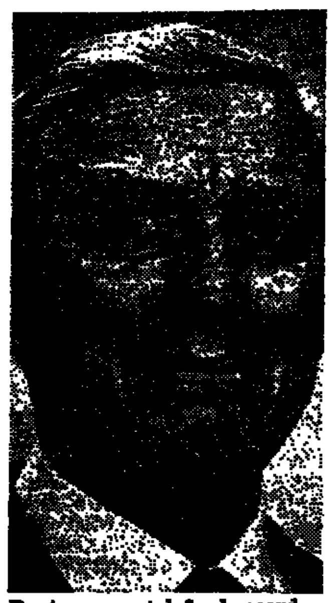
Although primarily aimed at alerting US aerospace companies to the growth of Japanese aerospace interests, with the need to become more closely involved in those developments, the report has significant implications for European aerospace companies.

"The key is acting now to establish multiple linkages as the basis for building broad-based, long-term relationships. The alternative is the erosion of competitive position in the increasingly global aerospace/defence market-place."

AMERICAN NEWS

Quayle sets out to show he is a fast learner

By Stewart Fleming, US Editor, in Washington



Bentsen: must defend record without criticising Dukakis

ON the day in August that Vice-President George Bush plucked the 41-year-old Senator Dan Quayle from political obscurity to be his running mate on the Republican presidential ticket, Senator Quayle could not contain his enthusiasm.

Leaping up from the crowd that was greeting Mr Bush as he arrived by paddle steamer for the Republican Convention in New Orleans, Mr Quayle flounced around the platform, grabbing centre stage. He greeted the Vice-President as if they were old pals getting together at a football match, not two men in pursuit of the presidency of the United States.

The chairman of one state Democratic party was asked later in the day what the Democrats would do to exploit Mr Bush's decision. "Nothing," he said, adding that the press would expose Mr Quayle's shortcomings. With hindsight it is clear that once again the Democrats underestimated the political skills of the rival campaign.

Senator Quayle appears on national television tonight in debate with the 67-year-old Senator Lloyd Bentsen, the shrewd and ruthless Democrat from Texas who is Governor Michael Dukakis's running mate. Mr Quayle has been learning fast. Some of the most experienced campaign advisers the Republicans have in the field have taught him how to avoid the elementary mistakes which can cripple a presidential campaign.

At Mr Quayle's side virtually every day for the past weeks have been men like Mr Stu Spencer, the political consultant widely credited with lifting Ronald Reagan, another outsider, to national political stardom.

Opinion polls suggest that many Americans remain anxious about the choice of Mr Quayle, and pay attention to Mr Bentsen when he says that if Mr Bush is elected President they should pray he stays healthy. Today fewer voters (34 per cent) think Mr Quayle is qualified to be President than did so when he was chosen (41 per cent), while 68 per cent say they are comfortable with the idea of having Mr Bentsen the proverbial "heartbeat" away from the Presidency.

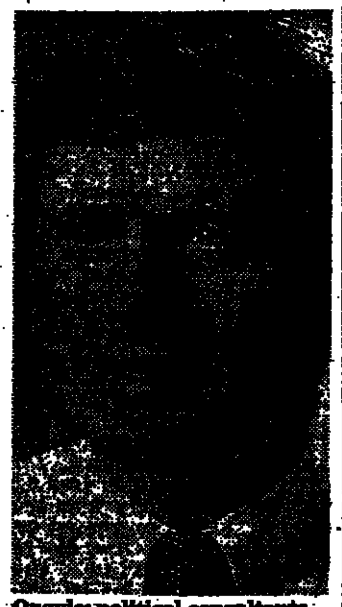
In tonight's debate Mr Quayle will be facing the biggest test of his political career. A dismal performance could indeed make Mr Bush's vice-presidential selection an issue which the Democrats can exploit in the final weeks of the campaign. More than 100m Americans watched the presidential debate 10 days ago.

Americans cast their votes for the president, not for the vice-president, although polls also show that in recent years voters have begun to take the vice-presidential role, once largely ceremonial and still ill-defined, more seriously .

However, Mr Bentsen is not certain of an easy passage either. The Bush campaign will be trying to use his conservative views as a foil to drive home their message that Mr Dukakis is a liberal, so far outside the mainstream that even his own running mate disagrees with him on important issues. Defending his own record while not running down Mr Dukakis will require a cool head and strong nerves from Mr Bentsen.

In the other televised political debates during this election campaign, only one candidate – former Democratic Governor Bruce Babbitt of Arizona – did so badly that it can be said with confidence that his performance was a major factor in his ultimate defeat.

So the odds are that Mr Quayle will not let his side down so badly that the men who helped create Mr Reagan's "Teflon" presidency will be unable to pull him to safety afterwards. But the possibility that he will fail is just big enough to ensure a packed house – at least for the first act.



Quayle: political consultants have been at his side

Democrats reach for last shot in the Texan locker

Lionel Barber reports on Dukakis's shrinking chances of winning the key state of the South

WHEN Governor Michael Dukakis of Massachusetts chose Senator Lloyd Bentsen of Texas as his running-mate, the state Democratic party heaved a sigh of relief.

At last, the locals thought, a northern Democratic presidential candidate has had the wit to embrace the South and its most important member state. The selection of Ms Ann Richards, the brassy Texas state treasurer, to be keynote speaker at the Democratic national convention in Atlanta last July seemed to lift spirits to even greater heights.

Today, Democratic relief has turned to doubt as Vice-President Bush has opened up a solid 10-point lead in Texas, according to the latest statewide polls. What started as a bold assault in Mr Bush's adopted home state has come to epitomise the failings of Mr Dukakis's national campaign: a lack of punch or passion and a tendency, with continuing emphasis on the "Massachusetts miracle", to sound parochial.

History should have taught the Bostonians to treat the prospect of victory in Texas with caution. John Kennedy, even with the home-grown Lyndon Johnson as his running-mate, barely carried the state in 1960; Hubert Humphrey only squeezed a win in 1968 and the same was true of Jimmy Carter in 1976.

More important, as Democratic turnout has stagnated, the Republican share of the vote has risen: Ronald Reagan (with Mr Bush by his side) swept Texas in 1980 and 1984, the last time by one and a half million votes.

Rich in electoral college votes - it is the nation's third biggest prize, with 29 votes - Texas has been moving Republican since 1961 when John Tower, a diminutive college professor, won Lyndon Johnson's vacated US Senate seat and thereby laid the foundation for a two-party state. Today, 10 of 27 US Congressmen are Republicans, while Senator Tower's successor - the freemarketeer Phil Gramm (who gave the world the Gramm-Rudman budget-balancing law) exemplifies the aggressive new image of the party.

What went wrong for the Democrats? "They underestimated George Bush", said Mr George Christian, President Johnson's White House press secretary. Like many Democrats interviewed here, Mr Christian believes that the Dukakis campaign failed to realise the damage wrought by the negative Bush adverts attacking their candidate as a leftish liberal supporting the American Civil Liberties Union, defence spending cuts and gun control, a big issue in Texas where hunting is considered a natural extension of the Bill of Rights.

Prof Barbara Jordan, the former US Congresswoman who teaches at the University of Texas, said the attacks on Mr Dukakis hurt him badly precisely because he remains a stranger to many voters. "It now needs a dramatic issue of gigantic proportions to turn the race around [in Texas]," she said.

The Bostonians may also have overestimated the bounce which Senator Bentsen could lend to their Texas campaign. Under a state election rule created for the benefit of Lyndon Johnson, Senator Bentsen is allowed to run for vice-president and re-election to the US Senate. This two-way bet has turned off some Texans; more important, the Republicans have artfully put up a weak Senate challenger so voters can play ticket-splitters, sticking with Mr Bentsen while still opting for a Republican president. "We think Senator Bentsen's fine – in the US Senate," is the Republican line.

The Bentsen factor might have been more pronounced if the Dukakis campaign was fully exploiting his statewide machine - but it is not.

One problem is the legal requirement to keep Texan Senate re-election campaign finances separate from the presidential effort. Another is what one Dukakis campaign worker in Austin admits is the lack of cultural affinity between the earnest Yankees from Boston and the earthy Texans. One result: the failure, according to Mr John White, the former Democratic national committee chairman, properly to mobilise the rural farm vote in Texas.

Mr Christian acknowledges, too, that the economic issue which only 12 months ago looked to be swinging in the Democrats' favour has turned neutral. Slowly, the regional economy is pulling out of the oil-driven recession: Houston is leading the pack, with property prices edging up, followed by Dallas and a more uncertain Austin and San Antonio. "Cattle prices are up, bank deposits are up and unemployment is going down," said Mr Christian. "Things may be bad but they are getting better."

The perennial Texan optimism has not been punctured by the savings and loan debacle which has seen greed and fraud run rampant. Several of the state's leading banks have been taken over in billion-dollar deals, severing Texan claims to financial independence. Credit decisions may now be being made in New York rather than in Dallas, but as one wag said over dinner in San Antonio: "Hell, that's no problem. It's when the Japanese buy our banks that we start worrying."

The Bush campaign has largely ignored the economic issue, though they like to point to Mr Dukakis's opposition to an oil-import fee as another reminder of how the Massachusetts governor does not understand Texas. Their TV advertising has focused almost solely on social issues such as crime, gun control and Mr Dukakis' 1977 veto of legislation requiring Massachusetts teachers to lead their classes in the Pledge of Allegiance.

The advertising and direct mail is run by Mr Karl Rove, a bespectacled pudgy-faced Coloradan who does a passable imitation of a Texas accent. Mr Rove, who hunts wild boar as well as Democrats, talks about "waves" of ads, starting with the Pledge ("Here are the words Dukakis does not want your child to have to say"), crime ("As Governor, Dukakis gave murderers, drug dealers and other violent prisoners weekend passes to get out of prison") and, coming up shortly, defence.

Mr Rove believes that Mr Dukakis's lack of enthusiasm for a 600-ship navy will hurt him in Texas. Two more aircraft carrier battle groups would mean expansion of port facilities at Galveston and Corpus Christi on the Gulf coast. "Dukakis's opposition will not only hurt our country, it will cost Texas jobs."

The Democrats have begun to fight back, starting with a TV ad asking "Where was George?" over the last eight years when 23,000 Texas businesses failed and 192 Texas banks closed. But with the lack of enthusiasm for the Democratic ticket palpable in Texas, and still no real reason for betting on an unknown horse, things look bleak for the Dukakis forces. A TV ad assault looks like the only shot left in the Democratic locker.

Santiago vows to stand by result of plebiscite vote

By Mary Helen Spooner in Santiago

IN A tense eve-of-poll atmosphere, the Chilean Government has rejected suggestions that it will tamper with the result of today's presidential plebiscite.

General Augusto Pinochet, 73, the country's ruler since the military coup in 1973 which overthrew the Government of the late President Salvador Allende, is the sole candidate, and his future hangs on the outcome.

If the "yes" vote for Gen Pinochet comes out on top, he will begin a new eight-year presidential term.

If the "no" vote triumphs, as the more reputable opinion polls predict, open presidential elections would be held in December next year, with Gen Pinochet remaining in office until March 1990.

Mr Sergio Fernandez, Chilean Interior Minister, who has acted as one of the regime's principal campaign strategists, said on Monday evening that reports that the Government was considering a plan to overturn the plebiscite were nothing more than a "gross manoeuvre on the part of the opposition".

The US State Department, citing reports that the Pinochet regime was considering annulling the plebiscite or tampering with the vote results, said it had expressed its concern during a meeting on Sunday with Mr Hernan Felipe Errazuriz, Chile's ambassador to Washington,

The Chilean Foreign Ministry subsequently issued a statement calling the US concerns "absolutely unfounded".

It emphasised that the Government had given more than adequate guarantees that the voting process would be fair.

At the same time, leaders of the "no" campaign, a 16-party coalition, have expressed fears that violence or sabotage, possibly self-generated, could be used as a pretext to suspend the voting or disavow the plebiscite's results.

On Saturday night, a power cut blacked out most of Santiago and several Chilean cities, along a 1,000-mile stretch of territory. Authorities attributed the power cut to terrorist bombings.

The Government and opposition groups plan to tabulate their own vote count, based on reports from polling sites around the country.

Two opposition parties, the Christian Democrats and the Party for Democracy, are legally allowed to have poll-watchers at the voting sites, although these representatives will be far outnumbered by government-appointed voting officials and poll-watchers from two pro-regime parties.

Poll-watchers have the right to record any objections or observations in an official book of minutes and to request a certified copy of the results from the president of each voting table.

Chile's electoral service opened last year to register voters, replacing the electoral rolls which the army had burned shortly after the coup in 1973.

Electoral service officials at each polling station are required to report the results to the Interior Ministry, which will announce its count and projections.

The electoral service will announce an official, final vote-count five or six days later, and the organisation's officials have pointed out that in past free elections there had been no significant difference between the Government's earlier announcements and the electoral service's definitive results.

Brazil braces for life under new constitution

By John Barham in Sao Paulo

BRAZIL has been in the grip of hectic activity for the last two days as the country steels itself for the introduction of its new constitution tomorrow.

President José Sarney, anxious to make the most of the discretionary powers he will lose under the new charter, has signed dozens of decree laws that reshape his government and favour his political allies.

The official gazette on Monday was crammed with the announcement of appointments and bureaucratic reshufflings and ran to 89 pages and 12 supplements.

As of tomorrow, the creation of government jobs must be sanctioned by Congress.

Financial markets were keenly aware of the future restrictions on the President's power.

Rumours swept markets that the Government was about to decree an emergency anti-inflation policy.

Economists inside and outside the Government have proposed a total indexation of the economy, including a new index-linked currency. Others support total de-indexation.

Bemused markets reacted promptly. Stock trading surged 6 per cent on Monday.

Banks, however, are paralysed with fear.

Under the new constitution, real interest rates will be limited to 12 per cent a year. The banks were scared of raising funds at over 12 per cent before the constitution came into force.

The central bank, which will have to police the interest rate ceiling, is confused. Mr Elmo Camoes, the central bank president, who will not return from New York until next Monday, said it was necessary "to know first what a real interest rate is and then see whether it can be enforced or not."

Peru's Finance Minister has steep hill to climb

Stephen Fidler reports on an austerity drive

ABEL Salinas is a man with an unenviable job. On September 2 at 9pm, he became the Minister of Economy and Finance of Peru and it fell to him to carry through the economic austerity measures that his predecessor, Mr Carlos Robles Freyre, had refused to announce.

His problem is not only that the measures are harsh and overlaid on an economy which is unstable and on the verge of hyperinflation.

He must also present them in a way which does not admit that the country's previous economic policies have been a dismal failure.

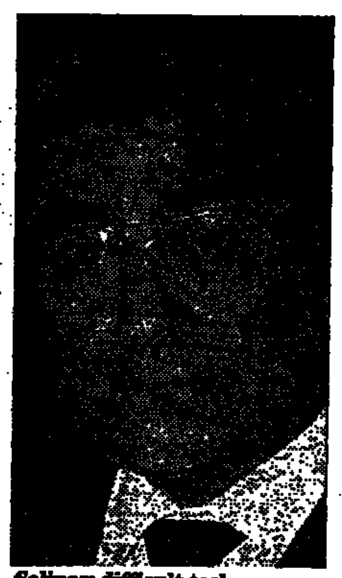
When it took office in July 1985, the Government of President Alan Garcia embarked on an attempt to revitalise the economy by stimulating consumption and using subsidies to hold down inflation. It also argued the country's development needs forced it to limit payments to foreign creditors. In the event, most foreign creditors have received nothing since 1986.

By the end of the year, its unpaid foreign debts are expected to total $6bn (£3.5bn). It is now in arrears to international creditors, including the IMF (to the tune of more than $500m) and the World Bank ($374m), from which it is thus ineligible to borrow.

Attending meetings of the IMF and World Bank in Berlin in an attempt to patch up the country's threadbare relations with foreign creditors, Mr Salinas, 52, speaking in his only interview with a foreign newspaper, insisted that the economic policies introduced when the Garcia Government took office were necessary at the time. "We'll always find ways to justify that policy. The original measures were correct and important in clearing the economic situation," he said.

However, Mr Salinas takes what often sounds like a highly orthodox line. Although he lays much of the blame for the failure of the Garcia policies at the door of the country's entrepreneurs, who failed to use their profits to invest in export industries, much of what he says would not be surprising coming from the lips even of the IMF.

Nevertheless, there are potential anomalies: the programme contains both a commitment to positive real interest rates to combat inflation, and a continued pledge of full employment.



Salinas: difficult task

By the Government's own admission, the economy will shrink 6 per cent this year. Even with growth of 8.4 per cent in 1986 and 7.2 per cent last year, the annual average growth rate over the last three years is thus less than impressive.

Mr Salinas admits that the original policies were kept in place for perhaps a year too long, allowing inflation to worsen and bloating the budget and current account deficits.

The Government has had to climb down over a wage freeze

Petrol, for example, sold at around 35 cents a gallon, a quarter of the world price. Because of the delay, the required correction will have to be more painful.

Mr Salinas says that, with the help of the new programme, Peru will halve its budget deficit this year from 14 per cent last year.

Apart from measures to cut subsidies — petrol prices were increased 300 per cent for instance — the Government moved to unify the exchange rate, attempting to fix the rate for 120 days. Previously, at least half-a-dozen exchange rates applied.

The Government also fixed prices and wages for 120 days from September 6, but has already been forced to backtrack on that. It will probably not be long before it gives way on the exchange rate too. When fixed, the official rate of 250 intis to the dollar was already below the street rate of 350-400. Inflation, measured in September at 114 per cent, is adding further extraordinary pressure on to the exchange rate.

Among the officials Mr Salinas met in Berlin was Mr Michel Camdessus, managing director of the IMF, who referred him to Mr Arjun Sengupta, newly charged with helping those countries in arrears to the Fund to work out their difficulties.

International reserves are effectively negative and, while not completely cut off from foreign creditors — the Andean Reserve Fund is providing $50m this month — access to foreign capital is very limited.

In a reference to the talk of debt relief and the need for growth in developing countries that dominated the Berlin meetings of the IMF and World Bank, Mr Salinas said the views of international creditors had moved towards those of Peru, a development which had made rapprochement more possible between the two sides.

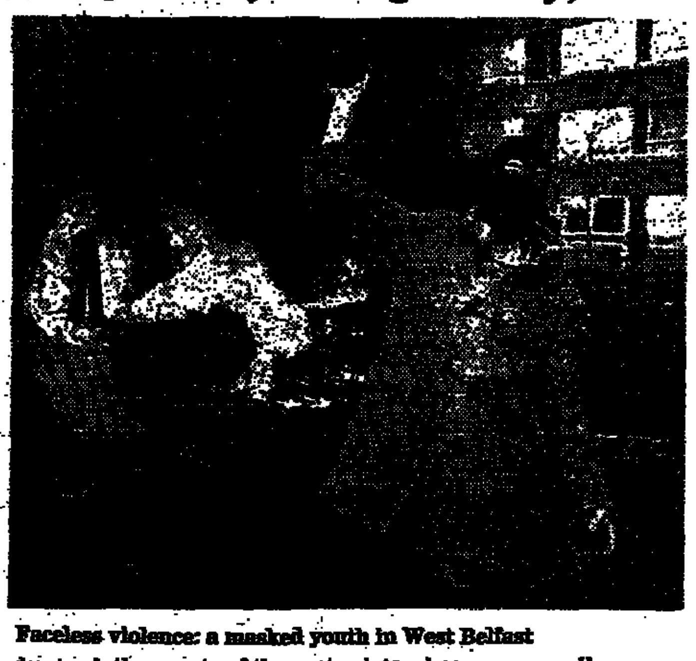
Despite the view expressed by many in Berlin, including the World Bank chairman, Mr Barber Conable, that the measures were a step in the right direction, Mr Salinas has undoubtedly a steep hill to climb. He faces widespread scepticism that the programme has been properly thought through and, apparently, the less than wholehearted support of Mr Garcia.

Mr Salinas, a former Minister of the Interior and Minister of Energy and Mines, does not give the impression of a man weighed down by the responsibilities of office, but even he admits the road he has embarked upon is not an easy one.

UK NEWS

Ulster rues two troubled decades

An era of violence began 20 years ago today, writes Kieran Cooke



Faceless violence: a masked youth in West Belfast

IN THE control room of the headquarters of the Royal Ulster Constabulary in Belfast there is a giant chart of statistics covering one wall. It tells part of the story of the last 20 years in Northern Ireland. At the top is October 5 1968, the date of the first civil rights march in Londonderry and the start of what has become called The Troubles.

At the bottom of the chart is the figure 2,699, the number killed in the violence of the last 20 years. This includes 254 members of the RUC, 410 members of the regular army, 178 members of the Ulster Defence Regiment, and 1,845 civilians.

The death list is only part of a story. Life in Northern Ireland goes on, for most of the time absurdly normally. Despite the grim statistics of deaths and bombings, the province has one of the lowest crime rates in the UK. In England there are more than 7,000 serious crimes per 100,000 of the population. In Scotland the figure is 9,000. In Northern Ireland it is a little over 4,000.

Twenty years of conflict have proved, above all, the resilience and durability of Northern Ireland people. People are far more worried, for the most part, about unemployment than about terrorism. Northern Ireland's jobless rate of 16 per cent is the the UK's highest. In some areas, particularly in ghetto areas of West and North Belfast and Londonderry, it is more than 70 per cent.

Even Sinn Fein, the IRA's political wing, is strongly opposed to plans to privatise the province's big industries and, despite its otherwise vehement insistence on British withdrawal from Northern Irish affairs, has echoed condemnation of what is commonly perceived to be Britain's economic withdrawal from the province.

On the other side of the political divide Mr Ian Paisleys's Democratic Unionist Party, standard-bearer of the loyalists, who wish links with London to remain, is hinting that if Whitehall continues down what it sees as its present path of political appeasement with Dublin and economic neglect of Northern Ireland, independence could be the only alternative.

Ulster people feel, for the most part, isolated and misunderstood: the events of the past 20 years have only compounded such feelings. Anniversaries are an obsession in Northern Ireland. The IRA, for all its new-found quasi-socialist identity, talks in the outdated language of the struggle for Irish independence more than 70 years ago.

What tends to be forgotten is that this latest chapter in Ireland's history began as a generally peaceful movement by people seeking limited and modest reforms.

On October 5 1968 five local, mainly Catholic, groups gathered in Londonderry to protest about poor housing conditions and the gerrymandering of the local corporation by the Unionist majority. Those involved were for the most part political moderates.

The Unionist rulers at first gave in to some of the demands. But attitudes quickly hardened. Marches were attacked by Unionist groups: the authorities were seen to stand aside. Demonstrators erected barricades, first in Londonderry then in Belfast. Serious rioting broke out and, in August 1969, the army was called in.

The moderates were brushed aside: on the nationalist side, the IRA hijacked the Civil Rights movement and used it as a platform for its goal of a united Ireland, to be achieved by fair means or foul. The zealots among the Unionists saw any concession to the nationalists, however small, as an attack on their birthright. Heels were dug in: "no surrender" was the clarion call of battle.

The authorities reacted and overreacted. There was "bloody Sunday" in Londonderry in 1971 when British paratroopers shot dead 13 demonstrators. Internment was introduced in the same year, with all suspected terrorists detained without trial.

Bombings and shootings increased. The next year, when direct rule from Westminster was established, was the worst of The Troubles by far with 467 killed. So far this year, one of the most violent for some time, 81 people have lost their lives in the province.

Many of the original aims of the marches in the late 1960s have been achieved. Mr John Hume, leader of the mainly Roman Catholic Social, Democratic and Labour Party and MP for Foyle constituency in Londonderry (which republicans call Derry), was one of those closely involved in the start of the civil rights campaign.

"Derry would not be recognised compared to 20 years ago. The housing situation has been transformed. The old political gerrymandering is gone," says Mr Hume.

But unemployment has become more of a problem. In 1974, during some of the most violent times in Northern Ireland's recent history, unemployment in the province was a little over 5 per cent. Mr Hume's constituency now has one of the highest unemployment rates of any in the UK at 30 per cent.

On the security front the RUC, which since 1977 has been in charge of security in Northern Ireland, has developed into one of the most professional and sophisticated police forces in the world. In 1968 it had 3,000 unarmed members. It now has more than 8,000 members with an additional 3,000 reservists, and they are all armed. The RUC budget runs to more than £1m per day.

There are just over 10,000 regular army troops in Northern Ireland plus 6,500 locally recruited members of the UDR. While army numbers are significantly less than in the middle of the 1970s, methods of deployment and tactics have improved dramatically.

But the IRA has also become more sophisticated, more tightly knit and increasingly difficult to penetrate. Senior figures in the army have admitted that the IRA cannot be defeated militarily. Sir John Hermon, the head of the RUC who yesterday announced that he is to retire in May, says the IRA is now more structured and secretive than the Mafia and has warned that in the coming months the IRA is likely to mount a terrifying campaign deploying its newly acquired weaponry from Libya.

It is a depressing picture. Reconciliation groups try to bring the communities together. But in working-class areas of Belfast where 20 years ago Catholic and Protestant children used to play together each side has long since retreated into its ghetto. Sectarian attacks continue. Some politicians try to work for a breakthrough. The 1985 Anglo-Irish agreement, which allowed Dublin limited influence on affairs in the north through consultation and the establishment of a joint secretariat, was seen by some as a significant development. But attitudes have not changed.

Many nationalists remain deeply cynical about the agreement and say that the only thing which has happened is that security and harassment have increased.

UK NEWS

End of boom predicted for world automotive industry

European car makers 'face decline'

By Kevin Done, Motor Industry Correspondent

THE WORLD automotive industry is reaching the peak of its current cycle after a prolonged boom with several key economies showing clear signs of overheating.

According to the World Automotive Digest, an annual review published by PRS Business Publications, the global automotive industry has performed much more strongly than expected in 1988, but it forecasts less buoyant conditions next year.

PRS says that output in all three leading West European car producing countries, West Germany, France and Italy, will decline by around 5 per cent in 1989, while production in Spain and the UK, the fourth and fifth placed European countries will remain unchanged.

The report suggests that car demand will fall next year in all five leading European markets, and PRS also forecasts a decline in sales in the US and Japan.

West European car sales are still on track to reach a record level for the third successive year in 1988, but PRS forecasts that demand will decline from this year's peak by as much as 11 per cent in Italy, some 9 per cent in France and the UK and by 5 per cent in West Germany and Italy.

The latest forecasts from several West European volume car producers, not least Peugeot, Renault and General Motors are more optimistic, but PRS says that economic conditions in several key markets could hit sales.

In the UK car sales are forecast to fall to 2m units from an expected 2.2m units this year partly under the impact of higher interest rates.

The PRS report says: "UK car demand has risen strongly in large part due to the availability of zero or low cost finance, but the Government's policy of using interest rates solely as the means of regulating demand calls into question the willingness of manufacturers to continue with this form of promotion."

With US consumer credit at a record level US interest rates are also expected to rise rather than fall, and the expected tightening of US economic policy in the wake of next month's presidential election will also have an impact in West Europe and Japan.

The report suggests that there is still "plenty of scope" for rationalisation in the Japanese motor industry, where some of the smaller companies are financially weak.

"It seems probable that number of independent vehicle producers (in Japan) will reduce, although it remains to be seen whether this will involve mergers between Japanese companies or the establishment of more formal links with US auto producers."

The Japanese industry was likely to remain under pressure because of the strong yen and the expansion overseas of assembly operations in leading markets, chiefly North America and West Europe.

Domestic Japanese car output is forecast to fall by more than 6 per cent in 1989 to 7.5m units. In contrast US output is expected to rise helped by the beginnings of a modest export drive.

PRS also forecasts a decline next year in the commercial vehicles sector with lower demand and production in the five main West European economies, the US and Japan "with the likelihood of lower world economic growth in 1989".

World Automotive Digest 1988, published by PRS, Planning Research and Systems, 44-48 Dover Street, London, W1X 3RF. Price £195.00.

FORECAST OF CAR SALES 1988-89

000 units	1986	1987	1988 forecast	% change 1988-87	1989 forecast	% change 1989-88
W Germany	2,829	2,916	2,850	-2.3	2,700	-5.3
France	1,912	2,105	2,200	4.5	2,000	-9.1
Italy	1,825	1,977	2,150	8.8	1,900	-11.6
Spain	861	886	950	7.2	900	-5.3
UK	1,882	2,014	2,200	9.2	2,000	-9.1
US	11,454	10,225	10,700	4.6	10,300	-3.7
Japan	3,146	3,275	3,500	6.9	3,350	-4.3

Source: Trade associations, PRS forecasts

FORECAST OF CAR PRODUCTION 1988-89

000 units	1986	1987	1988 forecast	% change 1988-87	1989 forecast	% change 1989-88
W Germany	4,311	4,374	4,300	-1.7	4,100	-4.7
France	2,773	3,052	3,200	4.8	3,000	-6.2
Italy	1,652	1,701	1,800	5.8	1,700	-5.6
Spain	1,282	1,403	1,500	6.9	1,500	—
UK	1,019	1,143	1,250	9.4	1,250	—
US	7,830	7,095	6,900	-2.7	7,000	1.4
Japan	7,810	7,891	8,000	1.4	7,500	-6.2

Source: Trade associations, PRS forecasts

Marks and Spencer unveils own unit trust

By Eric Short

MARKS and Spencer, Britain's second biggest retailer, yesterday unveiled a brand name unit trust, the Marks and Spencer Investment Portfolio.

Mr Keith Oakes, finance director of Marks and Spencer, said that unit trusts offered the company the best opportunities for its desired expansion into financial services.

Marks and Spencer entered the financial services market in 1985, but its operations have hitherto been concentrated on products and services linked to its retail business, particularly its credit card services Chargecard and Budget Card.

Although the unit trust is a departure from retailing, the group is retaining its underlying trading stategy of using outside suppliers to provide its branded goods.

Marks and Spencer is using outside institutions to design the unit trust and invest the funds to its own specifications. The product has been designed in conjunction with leading US-based worldwide investment consultants, Frank Russell International, a company specialising in all categories of institutional investment and product design.

The Marks and Spencer Investment Portfolio will have an initial asset distribution of 20 per cent in UK fixed income, 60 per cent in UK equities and 20 per cent in overseas equities. The UK equity portfolio is split 60 per cent in an indexed portfolio, 20 per cent in a high income portfolio and 20 per cent in a high performance portfolio.

This investment strategy is familiar to UK pension scheme managers seeking a steady above average long-term performance, but unusual for unit trusts, where strategies are usually more narrowly defined.

Marks and Spencer has put together a high-powered investment team to manage the portfolios, on the advice of Frank Russell. Phillips & Drew will manage the fixed income portfolio, the US company Globe Finlay Inc the overseas equities and Barclays de Zoett Wedd, Mercury Asset Management and GMO Woolley will share the UK equity portfolio.

Plan launched to improve clothing 'sweatshops'

By Alice Rawsthorn

THE GOVERNMENT is supporting a programme to improve business standards and working conditions in the small companies, known as sweatshops, that proliferate in the London clothing industry by helping to launch the Clothing Information Service.

The service, funded by the British Clothing Industry Association and the Government, will offer advice on marketing, training and legislation to 1,700 or so small clothing companies in and around London.

Almost 68,000 people work in the London clothing industry according to a report by the City Action Team, a task force run by the Government and the soon to be abolished Training Commission.

The sweatshops, which tend to produce cheap clothing in cramped premises, are concentrated in north and east London. The report estimates that 30,000 people are employed within clothing in this area's seven boroughs.

Many sweatshops suffer from poor profitability owing to weak marketing, dilapidated machinery, inadequate training and poor quality control. The Clothing Information Service intends to give them the basic information needed to upgrade the quality of their output and to act as a co-ordinating body for London's small clothing companies.

There has been a tradition of clothing production, concentrated among ethnic groups, within London for centuries. Spitalfields, on the boundaries of the City of London and the East End, has experienced successive waves of immigrants from the Huguenot *emigrés* from Flanders in the late 17th century to the Asian community today.

Different areas of the clothing industry are still associated with particular ethnic groups. The Cypriot community in north London specialises in the dress trade and East End Asians concentrate on skirt production.

Reserves down by $143m

By Simon Holberton

THE VALUE of Britain's stock of gold and foreign currency reserves fell by an underlying $143m in September, reflecting Bank of England participation in international efforts to control the dollar's value and its efforts to support the pound.

The September fall compares with an underlying rise in August of $827m and the Treasury said yesterday that it left the total of Britain's reserves largely unchanged at $50.5bn.

Last month, the dollar strengthened after a West German Government official said there was no need to intervene against the currency. Central banks in the leading industrialised countries were forced to intervene to quell the market.

During September the pound was also weak on the foreign exchanges and there were many reports of Bank of England intervention to settle the market. But the figures indicate that intervention may have been minor.

During the month the pound traded in a range of $1.667 to $1.708 and DM 3.1275 to DM 3.1675. On the Bank's trade-weighted sterling index, the pound's range was 75.1 to 75.9.

In Brief

Record year in prospect for woollen textiles

The wool textile industry has raised its overseas sales by 2 per cent to £368m in the first seven months of the year in spite of the strength of sterling, writes Alice Rawsthorn. Sales to the US have been sluggish where the strength of sterling has been exacerbated by the weakness of the dollar. Exports to Europe have become more difficult but growth has been maintained. The most resilient market has been Japan where the fine worsted cloths are popular as luxury suitings and corporate gifts. Mr Geoffrey Richardson, director of the National Wool Textile Export Council, said this year the industry should beat its 1985 export record of £607m.

Executive rise

The spending power of British senior executives is better than their counterparts in many other countries, although their gross pay is still relatively low, according to a survey published by Employment Conditions Abroad. The survey puts UK senior executives behind Sweden, Ireland, South Africa, Australia and Greece on pay. But when salaries were adjusted Britian moved to eighth place – three better than last year. Top executive pay, page 12.

Managers accused

Bank managers are not giving Britain's small businesses the backing they need, according to a report published by three Conservative backbenchers. Small Businesses and the Rebirth of Enterprise in Britain also criticised the Inland Revenue and Customs and Excise, which they accused of killing off small businesses by hampering them during inspections.

British Steel grant

British Steel is to fund a teaching company in the department of mathematics at the newly-formed University College of Cardiff at a cost of £266,000.

Ulster tourist plan

First details of a £4m project to transform Navan Fort, Northern Ireland's most important ancient monument, into an international tourist attraction have been released. Appeal organisers propose facilities, and up to 160 jobs, at the Armagh site which is acknowledged as the seat of the ancient Kings of Ulster.

Welsh air growth

AN expansion of services from Cardiff-Wales airport over the next 12 months has been forecast by Mr Ian Cran, director. Airtours of Stansted, is to offer package flights next summer to Majorca, Minorca, Tenerife and Portugal. The International Leisure Group is adding Florida, Cyprus and Lanzarote to its services and Inter European is taking 4,000 holidaymakers to Salzburg for Tyrolean resorts.

Tongue twister

Taff Ely council in Mid Glamorgan, Wales, is to re-name its Ynysmaerdy industrial estate "Llantrisant business park" because Japanese businessmen there find it too difficult to pronounce.

Thank God

Church publishers today thanked divine providence for their decision to sell shares just before last year's "Black Monday" market crash. The Catholic Truth Society, which at the time faced a cash crisis, says in its annual report: "Following the October stock market crash, that now of course looks like a very wise decision, but if so it was made by divine providence, not by the foresight of the general secretary!"

THE LABOUR PARTY AT BLACKPOOL

Kinnock denies policy 'slide to right'

By Peter Riddell, Political Editor

A FUTURE Labour Government will have to come to terms with running a market economy successfully and with the full development of the European Community, Mr Neil Kinnock, the party leader, urged yesterday.

In his keynote address to the Labour Conference in Blackpool, Mr Kinnock set the framework for the next stage of the two-year policy review, arguing that the party's approach had to appeal to the majority of the electorate.

Under the theme of the compatibility of economic efficiency and social justice, Mr Kinnock sought to take the initiative from the Government with his emphasis on "green" environmental issues, on the EC, on individualism and on competitiveness. He denied that this represented a "slide to the right" or "a concession to Thatcherism," arguing that what mattered was winning power to apply Labour values.

In particular, he laid stress on coming to terms with the fact of a market economy in Britain, which Labour, he said, had "to run better than the Tories." Moreover, even after the implementation for years of a Labour programme of increased training and investment, higher pensions and expanded funding for the health service, "there will still be a market economy."

Mr Ron Todd, general secretary of the TGWU transport workers, Britain's largest trade union, last night launched a strong attack on wholesale modernisation of the Labour Party and forcefully restated his union's traditional fundamentalism.

Labour leaders were dismayed at the force of Mr Todd's attack coming only hours after Mr Kinnock's speech. Speaking at a fringe meeting, Mr Todd attacked modernisers in the party for their superficiality in what was seen as a barely coded attack on Mr Kinnock.

Mr Kinnock's low-key speech was genuinely well received, especially by Labour MPs. But it was immediately described as "quite deplorable" by Mr Arthur Scargill, the president of the National Union of Mineworkers who, along with hard-left leaders, said Mr Kinnock was merely trying to run capitalism better than the Tories.

The Labour leadership has this week won almost all the key votes on the first general stage of the policy review, with the exception of one yesterday on low pay. In the process the hard-left has been isolated. However, the public doubts expressed last night by Mr Ron Todd of the transport workers' union show there may be considerable problems ahead in the policy review, particularly over nuclear defence.

Mr Kinnock was yesterday non-committal over details of defence policy apart from stressing that defence policy "must be serious about nuclear disarmament, serious about defence. Indeed, so serious about both objectives that we are capable of earning the democratic power to achieve them." This is taken as meaning a broader definition of the non-nuclear defence so as not to put off voters.

The Labour leader also went much further than any of his predecessors in embracing the European Community, taking his lead from the speech of M Jacques Delors, the President of the European Commission to the Trades Union Congress a month ago. Mr Kinnock accused Mrs Thatcher of playing Boadicea over the creation of the single market. He said Labour wanted Europe to be a community as well as a market referring to M Delors's mention of the "social dimension in Europe, Mr Kinnock said that the community must have the highest standards of working conditions and workers' rights, tough anti-trust laws and substantial social and regional funds to counteract the market's pull of wealth and jobs towards the centre.

The Labour leader also firmly committed Labour to a "green" policy – specifically identifying Labour with lobbying groups such as Greenpeace and Friends of the Earth in pressing for the control of industrial waste, cleaning up the beaches and investing in science and sewers.

Mrs Thatcher was strongly attacked for offering a "me" and "now" view and denying the existence of society.

The only hiccup in the leadership's smooth path occurred yesterday when, on a show of hands, the conference approved a resolution calling for a national minimum wage set at two-thirds of the average wage and linked to the cost of living with the right of trade unions to inspect the books of all firms and public ownership included as an option to reinforce the commitment. However, afterwards Mr John Smith, Labour's Treasury spokesman, said that this motion would merely be taken into consideration in the next stage of the policy review.

Kinnock's best shot, Page 20

Government renews push for regional nurses' pay

By John Gapper, Labour Staff

THE Government yesterday renewed its push for regional variations in pay for Britain's 487,000 nurses and said that next year's pay award should "maintain" rather than increase real pay levels.

The call came in this year's evidence from health departments to the nursing staff review body, published for the first time to prevent it being leaked selectively. It was criticised by nursing unions and opposition politicians.

Mr Kenneth Clarke, Health Secretary, said he wanted to "flag up our serious intention" for regional pay variations, although he accepted that the review body might reject the idea again next year, as it did earlier this year.

He said that this year's pay award of rises averaging 15.3 per cent, recommended in April, was the latest in a series that had pushed nurses' pay to its highest ever level. "Nurses must not slip back, but this is not a year for a further great surge forward," he said.

Unions said the disclosure of the evidence would only add to disquiet over the implementation of the new clinical grading structure for nurses this year, upon which the last pay recommendation was based and the the cost of which is thought to be exceeding the £803m already allocated by the Government.

Mr Trevor Clay, general secretary of the Royal College of Nursing, said that to try to impose another alteration to the pay structure on top of the biggest change of the past 40 years was "to seek turbulence of a high order."

Mr Clay did not rule out the possibility of the RCN – the biggest nursing union – eventually accepting a form of regional variation.

Drug seizures double in year to £162m

By Richard Waters

HM Customs & Excise seized illegal drugs last year with a street value of £162m, more than twice the value of those seized the year before.

The amount of cocaine seized rose by nearly four times, to 484 kilos, while a third more heroin and 16 per cent more cannabis were taken, according to the department's report.

The report also records a small increase in the amount of value added tax recovered following inspections of traders.

Despite this, the department reports improved compliance with VAT legislation. This, and greater consumer spending, helped to push VAT receipts up by 8.5 per cent in real terms, to £24bn.

The year saw the department's resources being stretched by a considerable increase in the movement of goods and people into the UK.

Seizures, besides illegal drugs, included 2,284 live animals and 500 orchids (under the endangered species legislation).

Touche Ross to appeal over court ruling

By Richard Waters

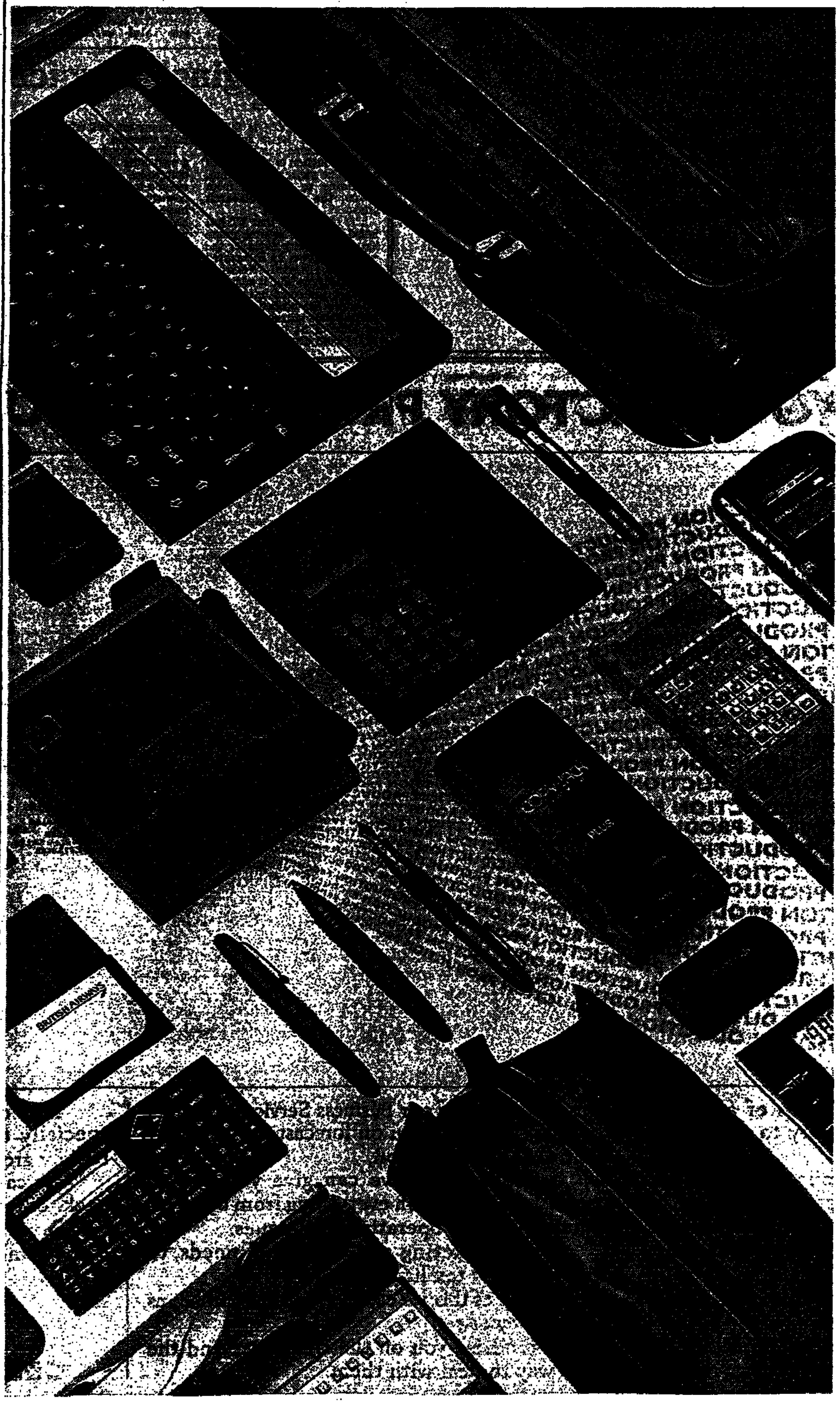
ACCOUNTANCY firm Touche Ross is to appeal to the House of Lords over a legal decision which, if it stands, would make auditors substantially more vulnerable to negligence suits.

Touche is challenging an appeal court ruling in July which found that auditors have a duty of care to individual shareholders of a company when preparing their audit report. This duty was judged to extend to shareholders making further purchases of shares.

If it stands, this would significantly extend auditors' responsibilities to third parties. In particular, it would open the way for actions from investors who already had a shareholding, however small, in a company.

The appeal court ruling overturned an earlier high court judgment that auditors have a duty only to shareholders as a class, rather than individuals.

The case is a preliminary issue to a claim for damages of £10m from engineering group Caparo Industries, which took over a Touche Ross audit client, Fidelity, in 1984.



UK NEWS

Twenty three executives earn more than £400,000 a year

Halpern tops pay table with £1.4m

By Michael Skapinker

BRITAIN HAS 23 executives earning more than £400,000 a year, according to a survey published today by Charterhouse, the merchant banking and financial services group.

Sir Ralph Halpern, chairman of the Burton Group, whose total pay is £1,359,000, has returned to his position as the country's highest-paid executive.

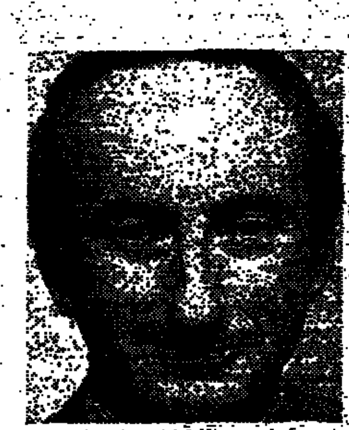
The previous incumbent, Mr Christopher Heath, managing director of Baring Securities, has fallen back into second place. His total earnings for the last financial year were £1,339,219. In the year before that, Mr Heath earned more than £2.5m.

Mr Heath's most recent earnings include more than £1.2m from a profit-sharing scheme. The final entitlements under the scheme have not yet been established, suggesting that his final remuneration could be considerably higher.

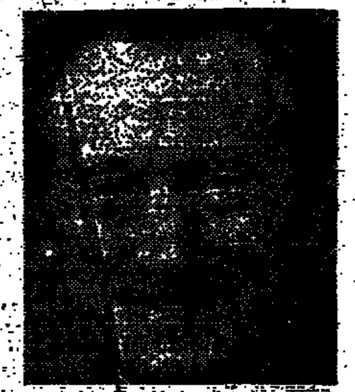
Lord Hanson, chairman of Hanson, is in third place with earnings of £1,263,000. He is followed by the highest paid directors of Robert Fleming Holdings on £1,238,000 and of Anglo Leasing on £1,205,000. Neither organisation would reveal the name of the director concerned. Charterhouse said that the earnings of the Anglo Leasing director include a non-recurring bonus payment, relating to flotation proceeeds, of £1,123,000.

Fourth place is held by Mr John Gunn, chairman of British and Commonwealth (£988,847). He is followed by Mr Robert Noonan, executive director of Marler Estates (£935,463), Sir John Nott, chairman of Lazard Brothers (£816,731) and Mr Richard Giordano, chairman of the BOC Group (£782,300).

Christopher Heath: down to second place at £1.339m



Sir Ralph Halpern: highest paid at £1.359m



Lord Hanson: third highest paid executive at £1.263m

Others on the Charterhouse list include Mr Robert Bauman, chairman of Beecham (£693,474), Mr Tiny Rowland, chief executive of Lonrho (£656,251), Mr George Davies, chairman of Next (£561,152) and Mr Maurice Saatchi, chairman of Saatchi and Saatchi (£500,000).

Mr Heath is not the only executive on the list whose total pay has gone down over the past year. Mr Michael Slade, managing director of Helical Bar, a property company, has had a reduction in his total earnings from £1,106,000 to £653,000. Mr Stanley Kalms, chairman of the Dixons Group, has seen his total pay go down from £659,202 to £494,000.

Charterhouse said that average total cash remuneration of British chief executives was up by 14.1 per cent. Base salaries increased by 11.4 per cent. The survey found that a quarter of chief executives received total pay increases of over 31 per cent, while a quarter received increases of 4 per cent or less.

A second pay survey, by P-E Inbucon management consultants, published yesterday, showed that the average overall increase in total remuneration for all executives was 12 per cent for the year to July 1 1988. The increase in base pay was 10 per cent.

The survey, which covers 7,138 executives, including 2,346 directors and 589 managing directors, found that there were substantial variations in the pay increases received. Nearly half the managing directors surveyed received basic pay increases of less than 10 per cent, while 28 per cent received increases of more than 15 per cent.

Fifty-five per cent of the directors surveyed received increases of less than 10 per cent.

Charterhouse Top Management Remuneration UK 1988-89 from Monks Publications, Debden Green, Saffron Walden, Essex CB11 3LX. £200.

The 1988 P-E Inbucon Survey of Executive Salaries and Benefits in the United Kingdom, from P-E Inbucon Salary Research, Park House, Wick Road, Egham, Surrey TW20 0HW. £195.

BT 'lagging' in voice and data switching

By Terry Dodsworth

BRITISH TELECOM is falling behind other large international telephone companies in the introduction of a new voice and data switching system, according to a report from Ovum, the market research group.

The study says that BT has failed to reach several promised introductory dates for the system, known as Integrated Services Digital Network (ISDN). Meanwhile, it adds, the French telecommunications authority has pushed ahead to start trials three years in advance of its original plans, while both the US and West Germany are well advanced on pilot schemes.

ISDN technology is based on a switching device that allows both voice and data to travel along a telephone line simultaneously. Telephone companies have promoted the idea because it gives companies a relatively cheap way of combining the two forms of traffic without heavy new investment in local telephone cables.

Although there is some controversy about the need for ISDN, most large telephone companies are now pressing ahead with ambitious trial plans and some commercial systems are already running in the US. BT, however, has not yet started trials, although it said yesterday that it intended to launch its first system next year.

According to BT, the view that it is falling behind other large network operators is mistaken because as yet there is no established international standard on which to base the ISDN service. The systems being introduced in other countries, it says, are not as yet true ISDN operations.

On the other hand, Mr Stephen Timms, a principal consultant at Ovum, argues that BT is lagging behind in the ISDN field largely because it has been concentrating on the development of its large capacity, high speed digital telephone network.

These services, aimed at the business market, give large companies similar facilities to those available through ISDN although they operate on leased lines rather than the public switched network. Customers hire digital lines and are then able to use them for a mixture of data and voice purposes using electronic coding techniques attached to their private exchanges.

JOBS

Latest indicators of main executive perks

By Michael Dixon

LORD, how long?

The original author of that heartfelt query about the duration of human stupidity was Isaiah the son of Amoz. But there are numerous people around today who might justly breach the prophet's copyright by repeating his question with reference to the treatment of their own profession.

Those people are the United Kingdom's engineers.

It is now almost a decade since the completion of a two-year official inquiry into their place in the UK's occupational pecking order. A main focus of the inquiry, led by Sir Monty Finniston, was the low rewards paid to engineers in Britain, which seemed likely to deter able youngsters from training for an essential type of work.

The inquiry concluded that the British, especially those in high places, tended to overlook engineers' contribution to their wealth. So the nation urgently needed to be made aware of the "engineering dimension" to its standards of life.

It would be wrong to say that nothing has happened as a result. One outcome is the Engineering Council which tries to further the profession's cause. Even so, now as before, one of the most noticeable functions of UK engineers is to prop up other varieties of high-grade staff in league tables of pay and perks.

TYPE OF JOB	Average total money pay £	Full use of company car %	Allowance for use of own car %	Subsidised lunches %	Subsidised private telephone %	Help with housing %	Life assurance %	Free medical insurance %	Share option scheme %	Loans at low interest %	Bonus %	Bonus as % of recipients' average salary
		PERCENTAGE OF HOLDERS OF EACH TYPE OF JOB WHO RECEIVE THE FOLLOWING FRINGE BENEFITS:										
Manag'g directors	57,196	99.2	0.5	41.4	60.6	20.1	95.6	89.0	100.0	6.3	57.6	20.6
General managers	41,871	99.4	0.2	48.0	48.4	30.0	97.7	88.8	98.7	16.3	54.1	18.4
Coy secretaries	34,321	95.3	2.0	47.0	43.6	17.4	98.0	86.6	84.5	13.4	51.7	12.9
Financial execs	30,773	88.1	2.0	44.6	38.5	12.6	95.3	82.9	80.8	7.2	49.2	14.3
Personnel execs	28,932	87.4	2.4	53.0	44.4	11.2	97.1	83.5	89.1	8.1	48.2	11.3
R&D chiefs	27,317	81.9	1.6	49.6	32.3	9.9	95.8	79.7	81.9	4.5	46.7	13.3
Marketing execs	26,978	91.9	1.6	48.8	37.8	11.8	94.7	79.0	66.7	6.8	48.0	12.4
Sales execs	26,682	96.3	1.0	41.4	48.6	5.5	95.9	77.8	62.4	4.1	52.7	15.8
D-P chiefs	26,191	82.4	2.9	53.3	29.9	11.4	95.5	78.7	59.4	6.6	42.6	9.8
Production execs	26,060	85.2	1.9	40.8	44.0	9.3	93.5	81.3	71.8	2.6	51.0	13.2
Distribution execs	22,164	76.1	2.7	53.2	39.6	7.7	94.1	73.0	59.9	4.1	43.2	9.8
Purchasing execs	21,492	64.1	3.0	50.3	20.4	6.0	91.0	65.9	64.7	8.7	43.7	11.7
Chief engineers	21,025	64.8	5.1	50.4	39.8	6.8	94.9	69.9	64.4	3.0	44.1	8.1
All jobs — 1988	29,642	83.9	2.3	46.4	39.7	11.3	94.8	79.0	75.0	6.4	48.6	14.7
All jobs — 1987	26,043	79.8	4.1	53.2	40.2	10.6	93.8	76.4	64.3	7.9	43.7	13.8

Figures for share option schemes are inflated because various types of scheme are in operation, and several executives benefit from more than one type.

An example appears above. It is compiled from the P-E Inbucon consultancy's latest survey of executive rewards in the UK. The study, dated at July 1, covered 7,138 upper-rankers in 728 companies, from small to large, operating in a wide range of businesses in most regions of the country. Anyone wanting the full report should contact Peter Robinson at Park House, Wick Road, Egham, Surrey TW20 0HW; tel 0784 34411, fax 0784 37828.

The table takes 13 types of managers — in companies of all sizes and locations — and shows their average total pay in money, including bonuses as well as salary, together with the percentage of each type receiving various kinds of perk. The "All jobs" figures at the bottom refer to every type of executive covered by the 1988 and 1987 surveys, not just the sorts included in the table.

As may be seen, the chief engineers come 13th in average money pay. Moreover, taking the perks listed as a whole, they are worse off than all but the purchasing executives.

Why that is so, nobody can be sure. But one reason may be that their skills, being hard to master, are not understood by most people in the managerial ranks above. Certainly the engineer's discipline is harder to come by than the visions top executives are apt to have of what can be done in and by their organisation.

Alas, engineers often have the duty of informing their company chiefs that their visions are impossible to put into effect. And since such chiefs tend to lack not only the knowledge to appreciate why, but also the patience to try to, the engineers come to be viewed on high as pernickety Jeremiahs, and consigned to a low place in the executive pecking order.

* * *

ON a global scale, however, UK executives in general have done well this year in terms of the measure of pay that counts most: what it buys. Evidence of their rising fortunes comes in the latest survey by the Employment Conditions Abroad consultancy (15 Britten St, London SW3 3TY; tel 01-351 7151, fax 01-351 9396.)

Buying-power indicators for a "specimen" manager in 18 different countries are listed at the foot of this column. The specimen manager is head of a function such as marketing across a group of companies who is married with two young children, and subject to the taxes and social security payments standard for a native of the country concerned.

Pay after those deductions is turned into buying power by reference to local costs of the executive family's typical life-style, but no account is taken of housing costs. Overseas currencies are in sterling at the rates of September 12.

Country	Head of function in group of coys 1988 £	(1987) £
US	52,566	(49,430)
Switzerl'd	50,291	(48,810)
Germany	47,813	(43,830)
France	43,486	(42,500)
Italy	38,650	(41,370)
Canada	37,917	(38,440)
Spain	36,631	(31,610)
UK	33,261	(27,490)
Netherl'ds	30,781	(28,040)
S. Africa	30,330	(31,300)
Belgium	28,719	(27,320)
Australia	28,096	(29,210)
Greece	25,490	(22,800)
Ireland	23,893	(22,280)
Denmark	21,419	(21,560)
Norway	19,743	(22,440)
Finland	19,339	(19,390)
Sweden	14,458	(13,540)

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Applicants should apply in writing with curriculum vitae to Leslie Goodman, Director, Barclays de Zoete Wedd Limited, Ebbgate House, 2 Swan Lane, London EC4R 3TS and direct any telephone enquiries to Ann Molteni, Personnel Department, tel 01-623 2323.

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ARTS

Video has transformed opera productions on television, **Rodney Milnes** maintains

Never mind fidelity . . .

Opera on television, or videogram for that matter, has come a long way since those pioneering days in the 1950s ınd 60s when, given the hair-raising :onditions under which it was made singers in a different studio from the rchestra and conductor as often as ɪot), it remains a matter of amazement hat the results were as good as they requently were.

The sort of freedom borrowed from he cinema, the miming of an opera to n existing soundtrack was a herring of oalest hue: a significant part of the rt's attraction is the physical act of inging. A dainty moue on screen more r less synchronised with a fortissimo ɔp C from the loudspeakers simply von't wash.

The breakthrough came, I believe, in ɪe 1970s, when the prospect of the comıercial release of operas filmed for teleision on videogram became a reality. n early pioneer in the field of direcon was Dave Heather, whose use of ımeras while filming quasi-live perforıances at Glyndebourne broke new round. Others have followed him in ussex, notably Peter Hall, whose films : his own productions — *Carmen* and *lbert Herring* among them — have set ɪe highest of imaginative standards.

But the main thing is that opera on ɪlevision is now virtually synonymous ith live opera in an opera house, and a ɛneration of highly skilled specialist ɔera-on-television directors has nerged, like Brian Large and Humırey Burton. Often in stark contrast to eir colleagues in opera houses, their rdinal virtue is their unobtrusiveɛss. They show you what needs to be en and tactfully avoid showing you ɪat needn't, retiring gracefully into ɪg or medium shot when a tenor is in nger of rupturing himself on a top ɪte — which can be unpleasant enough in an opera house, never mind in close-up in the privacy of one's drawing room.

Their tact is more than just fidelity to what happens on stage. Witness how Mr Burton turned a rather ordinary Covent Garden *Manon Lescaut* into one of the more successful video operas simply by ignoring decorational excrescences in the staging. Yet not even tact on a Burton scale could save last Saturday's television transmission on BBC2 from Scottish Opera of Bernstein's *Candide*, which was little short of tragic: admirers of the music, of whom none is more fervent than I, were longing for this to be the version that, at last, *worked*.

> *A dainty moue on screen more or less synchronised with a fortissimo top C from the speakers simply won't wash*

The ways in which *Candide* hadn't worked in the past were outlined in Peter Adam's riveting documentary, *Breast of Peacock . . . Apple Pie*, shown on the same channel the previous Sunday. Stephen Sondheim — and he, better than Pangloss, should know — said that Bernstein's score and Lillian Hellman's book, both excellent in their various ways, were too various for their own good: they simply didn't fit. And woe betide anyone, to judge from her alarmingly baleful manner in the documentary, who tried to bend Hellman's book towards the music.

Her subsequent withdrawal of both book and those lyrics in which she had a hand were the start of further woes: Hal Prince's brash but successful one-act and reduced-orchestra Broadway version for which the composer did not care; and the new and inept book by Hugh Wheeler, admittedly much improved by the ministrations of John Wells and John Mauceri in Glasgow, but not improved enough. The thoroughly well-meaning and informed revision — at least the numbers were in the right order and sung more often than not by the right people — simply swamped the wit and gaiety of the score: add some extra numbers, not all of which deserved disinterment, serious miscasting, elegant decor but surprisingly flat-footed direction by Mr Wells and Jonathan Miller within it, and you had over two and a half hours of worthy, enormously frustrating tedium.

In addition to part of a Huw Wheldon interview with Bernstein that should have struck terror into any passing critics, *Breast of Peacock* included some archive extracts from the 1959 London *Candide*; yes, it looked horribly old-fashioned in its relentless eyes-and-teeth merriment, but if half its energy had been evident in the TV version, we would have been getting somewhere. I suspect the answer is to forget all about "opera house" versions of the piece, cast it with good musical comedy artists — there are such things — and then forget all about fidelity to Voltaire when devising a new and, please God, short book to frame music that says practically all that needs to be said.

Last week's other opera transmission, Nixon in China on Channel 4, was directed from the stage of Houston Grand Opera by Brian Large, he who preserved the Chéreau Ring on video and to my mind enhanced it (it is due for release on CDV before long). He also enhanced a great deal of Adams's opera, emphasising with the use of cameras individual performances that were already impressive enough in the theatre: if you have opera singers who can really act, then you do want to see them in close up (and *vice, mutatis mutandis, versa*).

The sheer theatrical pizazz of the first scene was faithfully reproduced in television terms, and the squeezing into close-up on Sanford Sylvan's Chou En-Lai in his aria in the third scene emphasised the poetry of his performance, as did the reluctance with which the prying eye left him at the very end (what a fabulous singer he is). The three images of Carolann Page in Pat Nixon's big second-act *scena* was another glorious effect (how odd it is that words seem clearer when a singer's face is in close-up), and Dr Large slyly underlined the sweaty insecurity of James Maddalena's Nixon — another fabulous performance — by the way he filmed him, catching the shiftiness, the darting eyes, the working mouth, not to mention the hasty glance at his notes in replying to Chou's toast.

But once again, where the piece itself falls apart — in the misjudged ballet sequence and the long finale, where the music can't sustain what is in the words — there's not much anyone can do about it in television terms. Yet patient viewers will surely have found ample reward: what was good in Peter Sellars's staging was almost better on television. 20th-century opera is by and large (indeed Brian Large) easier to transfer to the box. Should more contemporary composers short-circuit the system and write directly for the medium?

Gerard Murphy

The Public

THEATRE ROYAL, E.15

While Garcia Lorca unleashes his four white horses of the apocalypse on unsuspecting audiences down at Joan Littlewood's old address at Stratford East, Mrs Mary Whitehouse and her Clause 28 obsessed cohorts must hold on to theirs.

Lorca's 1930 surrealist improvisation comes across as a Pirandellian party game, not at all the homo-erotic knees-up we had been led to expect. Uitz's production is an extremely elegant representation of visual, theatrical conceits unintended for the theatre. This is the irony. Lorca thought his piece "unperformable," "a poem to be hissed at." And yet, for all its faults and blemishes, it is mere charade, nothing but theatre.

A theatre director, passionately played by Gerard Murphy, is discovered under an enlarged hand. Greek pillars and statuary are seen to the right. The horses, white heads on human forms, are the public, the audience. They seek access, a right of veto. A production of *Romeo and Juliet* goes on regardless, Juliet in a plastic bosom mounting the horses, exploding in a state of unattached psychosis.

The images reek of Dali and Bunuel (whose hauntingly inexplicable *L'Age d'Or*, is exactly contemporary). Lorca was here submerging himself in a European avant-garde blow-out before the structured intensity of the rural tragedies. He had also just been to New York and discovered Walt Whitman. This aspect of the play's homosexual expressiveness the Stratford East adaptor, Henry Livings, has ignored. We are invited to inspect an avant-garde relic.

The result is a sense of imbalance and triviality. There is no point in doing the piece unless you relate it, as the Argentinian director Jorge Lavelli did earlier this year in Paris, to a context of aesthetic surrealism. The play is also profoundly concerned with the director's acknowledgement of the truth of his sexuality. The dramatic point of an audience's outrage at discovering Juliet to be played by a boy is entirely lost.

The invasion of intellectualising students and the sudden appearance of matinée faithfuls is brilliantly arranged. But the death of the director is not dramatically articulated, Lorca's suggestion of his voyage to the galactic unknown left hanging in a void of vague poeticising. What happened to the three bearded homosexuals devoted to each other, and to the director?

These figures appear, courtesy of Phillip Joseph, Robin Hooper and Michael Bertenshaw, but do not represent too threatening a clutch of bored West End producers. Their anger, and that of the audience, is negligible. Livings has excised the speech about the Juliet actress bound and gagged under the audience's seats. Instead, Claire Hackett, who plays spiritedly, is a sad victim of Romeo deprivation, a nice girl in the wrong play.

The production nonetheless contains moments of challenging beauty and great power. Most of these emanate from Mr Murphy as the confused impresario, but Uitz has also paid honour to Lorca's demands for dancing, uninhabited costumes, and to his strangely liberated sense of theatre.

Instead of the expected manifesto for sexual mayhem, we have the tortured imaginings of a theatre poet. In this respect, Murphy's performance is remarkable. But the production fails to relate such yearning to any kind of consistent aesthetic, be it historic or contemporary. The evening's a puzzle, but an elegant one.

Michael Coveney

Pop goes political on a Moscow night

ıntony Thorncroft reports on the Russian New Wave at Big Country's gig

It would, of course, require terminal myopia to view the most important event in Moscow t week end not as Mr Gorbaev's cut and paste job in the emlin, but as a rather poorly ended rock concert in an ice ckey stadium a few miles to e west of the city. Yet the e between the two occasions direct, and although I don't lieve that Mr Gorbachev ows the name of the bass ıyer of Big Country, the ɔttish band who headed the l, it was playing in the viet Union as a direct conseınce of his policy, and, in opinion of the concert's dience, was contributing to cial political act.

he connection between poliand rock music is total in a ntry with just one record el, Melodiya, and where nistry officials decide which ists can have their music orded and their concerts moted. Under Mr Gorbav there has been a considere loosening of the controls. Stas Namin, an ebulliently y character who bears re than a passing resemnce to Harvey Goldsmith, is man who is determined to e every advantage of the mulous new liberalism. For ny years his own songs e banned and only avail through unofficial trading. he and the authorities realit was better to have him their side and in seven rs he sold 40m records — as he will tell you, receiva single kopek for his ıs.

las retired a year ago to set a Music Centre in Gorki k which acts as a recording lio, and, more vitally, as a ıs for all the alternative, lerground, progressive musicians in the Soviet Union who are out of favour with the Ministry of Culture but much loved by the denim clad section of Moscow's youth.

One day perhaps the Centre will be able to release its own records. At the moment tapes of the bands change hands as frenziedly as bath plugs and T-shirts. It is touching, and a little frightening, to discover how keenly Stas and his friends scanned the names of the Politburo members, hoping, with some justification, that their men, the progressives, were growing in power. The Music Centre seemed the only place in Moscow where the decisions at the Kremlin were followed with intense interest.

The weekend concerts were show cases for some of the new bands. If that was all it would have been a minor, peripheral event, certainly not worth the hassle and cost of transporting over 200 of the most anarchic, childish, and pernickety men and women in Europe — the pop press — to Moscow. But, as ever in the Soviet Union, there were subtleties, pointers, and an unavoidable political significance behind it all.

Also involved with the concert was a shadowy organisation called The Foundation for Social Invention, set up by an intense young Siberian and a front organisation for change in the country. The Foundation was using the concert for a bold political act — the invitation of some American Vietnam veterans with medical experience to Moscow to advise wounded Afghan veterans on rehabilitation. Profits from the concerts were devoted to this cause, and they opened with passionate speeches and the exchange of generous sentiments which on this occasion were more than just word dressing. Until the last minute the organisers feared the concerts might be banned. In the event only publicity was refused, reducing the audience to around 3,000 people, half the capacity of the stadium.

Into this emotive whirlpool

Steve Payne

Stuart Adamson of Big Country

stepped Big Country. It became involved because singer and songwriter Stuart Adamson has convictions, most recently expressed in the band's latest album, *Peace in our Time*. After a bright commercial start Big Country's fortunes had flagged, so this new album demanded some promotion from Phonogram. The band's manager, Ian Grant, might not be able to get any roubles out of Moscow, but any fee would pay for the transportation of Her Majesty's Press, which must be good news in publicity terms.

It the event the performance by Big Country almost provided the perfect catastrophic finale to a weekend of steadily mounting disasters of the lost luggage, missed dinner, unavailable room variety. But first, Soviet bands performed to a select but enthusiastic audience. In one respect it was a weird occasion, with children and babushkas and Moscow's answer to soul boys, who were about as threatening as the St Johns Ambulance Brigade, in the audience; in another it was all very familiar, with that grindingly boring delay for sound checks which in the end had even the Russians complaining, led by a stout middle aged lady, an obvious descendent of a tricoteuse.

Eventually Alliance kicked off with the kind of songs that The Undertones were offering a decade ago. You quickly realised that Soviet pop was trying to cram three decades of musical history into three years. The look of the band was right — plenty of earrings and bizarre hair styles, while the lead singer was total angst. The songs were significant and melancholic and sounded as if they were bitter complaints of youthful alienation rather than about being two timed by Sasha. It was the intensity of the performance, the obvious belief in the relevance of the music, that lifted banal songs some way towards art.

After a brief set Alliance made way for Night Prospect, who revealed an even darker side of Russian gloom. They belong to the Rasputin school of music, with an angular singer who chanted dirges while whipping himself with a metal chain. The only appropriate climax was that he should garrote himself — which he did, before stalking off the stage with a look of grim satisfaction. Fortunately the next band, Nuance, reflected the other side of the Russian character — sudden joy, with some lilting balalaika-like gipsyish, songs.

Big Country followed Moscow's leading punk band, Brigade S, on stage. Their reception was cordial; their opening pitiful. Within a minute the power failed on Adamson's guitar amp. There was a lengthy pause, some shrinkage of the crowd, then another start on "Peace in our time." It took twenty seconds for the gremlin to strike again, and an hour before Big Country could finally drive through their bagpipey version of U2. In the event the band managed to make good the awful start and the audience soon revelled in their new upright freedom — at previous concerts by British bands in Moscow the audience had been forced to remain seated — and by the end there was a dancing, waving, chanting crowd of happy youth.

Big Country were bit players in an important drama unfolding a few miles away, but they were proving that rock music could be rousing, therapeutic and fun — something that Soviet youth is only slowly beginning to discover. Just how the visit fitted into internal politics it was difficult to say, but while so many British bands posture, mixing their music with a little modish political gesturing to salve their consciences, it was inspiring to be at a concert where the performance of the music represented a political act.

Don Quixote

EMPIRE, LIVERPOOL

The title adopted by Northern Ballet Theatre for its new production is significant: not just the name of Cervantes' Don, but *The Amazing Adventures of Don Quixote*. And, I am tempted to add, "the amazing adventures of an old ballet." The Petipa original took Quixote as a peg on which to hang the joyous adventures of Kitri and Basilio as they sought to marry despite family objections — the piece could be called *La Señorita mal gardée*. The point of the enterprise — and one still made in Leningrad and Moscow, and by producers following the Russian tradition — is a profusion of dances, classical and mock-Hispanic which fling steps and temperament at us so that feebleness of drama and characterisation matter not at all.

Christopher Gable, as adaptor and producer of this new NBT version, and Michael Pink as choreographer, realise that with NBT's restricted forces, the ballet must be made possible on other terms. So the Don now becomes the central and motive figure — though fearfully pallid in performance and realisation, like the spectre of the role rather than the role itself — and the usual action has been elided, while further incidents from Cervantes' novel are introduced to pad out the three acts. Mr Gable has, in fact, sought rather too optimistically to make this a ballet about the serious figure of the Don. Tradition and innovation are thereby mismatched.

The first act contains the entire Kitri/Basilio narrative. The second act includes the mime-play (more confusing now than in earlier versions), abbreviated gypsy dances, while a blow on the head from a falling tree-branch — ah! the marvels of stage machinery — sends the Don into a fantasy world where, instead of the usual dryad scene, he finds the female soloists hideously garbed as for an ice show, offering optimistic accounts of the old Petipa variations. The third act adapts incidents from Cervantes, including bearded odalisques, a flying horse, a Knight with a flashing mirrored shield who forces the Don to see himself as he really is, and gives the celebrated pas de deux to a matador and his lady-love. The sum effect is of worthy intentions as yet only partially realised.

In reducing the action for NBT, Mr Gable has been ingenious, and the new choreography by Michael Pink is honest and jovially energetic for the ensembles, with the remaining fragments of the original Petipa/Gorsky dances fitting well enough into it. But to hold the narrative together demands a sustaining thread as conventionally efficient as the earlier Kitri/Basilio love-story. This Gable's view of the Don, and his performance of the role, fails to provide. He shows us something nearer Marley's ghost than the eccentric idealist, dreaming crazed dreams of chivalry, that has been the character nobly played by Soviet artists, and memorably so by Robert Helpmann with the Australian Ballet. There results a lack of focus, of emotional heart, to a ballet which merits the greatest virtuosity in style if it is to make sense. I note, too, that the score, which has been much edited, and includes added music to high-light the Don's scenes, lacked orchestral weight - there simply were not enough players in NBT's orchestra on Monday night when I saw the staging - and this denies the dance a much needed peppery verve.

Tim Goodchild's design provides a clever first act setting with rising canvases and unfolding panels to build a sunny Spanish village before our eyes, filled with attractive costuming. The later scenes are less convincing, and the "Crystal Forest" is tinselled kitsch. The dancers launch themselves into every number with a will, though they need the added gusto that a livelier orchestral sound can bring. Of the principals I especially liked Graciela Kaplan's vivacious Kitri and Victoria Westall's voluptuous way with a gypsy dance. But there is more to *Don Quixote* than NBT as yet shows us.

Clement Crisp

ARTS GUIDE

September 30-October 6

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support (836 6404, credit cards 379 6233).
The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, CC 379 6233).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the International hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15 (254 3770).
Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3879).

Tokyo

Kabuki (Kabuki-za) Performances at 11am and 4.30pm. The morning programme includes Moritsuna Jinya, a play set in an age of civil strife — a popular actor's vehicle, since the role of Moritsuna is considered one of the finest in kabuki. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle — scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. For details, enquire at the theatre (541 3131).
The Fantasticks. Sunshine Theatre, Ikebukuro. Whimsical Off-Broadway production which was supposed to have closed in New York more than two years ago after its 10,864th performance but which continues to rewrite its record as The World's Longest Running Musical. Ends October 10 (987 5281).
Gorky Theatre, Leningrad, in Chekhov's Uncle Vanya (Wed), Peter Shaffer's Amadeus (Thurs). The Bolshoi Drama Theatre, better known as the Gorky, was founded in 1919 and is now one of the Soviet Union's most popular and innovative companies.
In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon. Globe Theatre (572 6331).

FINANCIAL TIMES

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Wednesday October 5 1988

A message to Kuwait

THE THATCHER Government looked foolish after the failure of its attempt to shift the state's 31.5 per cent share in British Petroleum into the private sector. The expensive fanfare of publicity preceding the largest ever share sale resulted, not in a glorious advance towards popular capitalism, but in the transfer of 21.6 per cent of the company to an Arab oil state.

Since the state-owned Kuwait Investment Office believed it had helped out the British Government by buying up BP shares which nobody else wanted, it has some reason to feel aggrieved by yesterday's decision that it should reduce its holding by a little more than half. The Treasury failed to make the rules clear at the time of the sale. However, the Kuwaitis cannot say they were not warned. The Government's decision yesterday to accept a Monopolies Commission recommendation that they should cut their stake to 9.9 per cent had been preceded by several ministerial warnings that the holding was becoming too large.

With hindsight, it is clear that the Kuwaiti ministers who were in control of the BP purchases made an uncharacteristic error in judging the political temperature in the UK. If they had stopped at between 10 per cent and 15 per cent, a reference to the Monopolies Commission would probably have been avoided. An acceptable compromise might then have been struck with the Government and the company.

Urgent questions

Kuwait's persistence in buying shares well in excess of any normal portfolio holding raised urgent questions about its true motives. In spite of the KIO's assurances that it regarded the holding only as a long term investment, it is difficult to resist the idea that at least some members of the Kuwaiti government were calculating what leverage might be applied to the world's third largest oil company, and even what political advantage might be gained in relations with Britain.

At all events, the Monopolies Commission report published yesterday argues convincingly that such a large degree of control gave the Kuwaiti Government a potentially excessive influence over the company. Since governments come and go, there was no guarantee that this would not be used to Kuwait's advantage in future.

The question whether this could act against the interest of BP's other shareholders and of the British national interest turns on whether there is a major potential conflict of interests. The commission's report focuses on the fact that Kuwait is a founder member of the Organisation of Petroleum Exporting Countries, still the world's most important cartel.

Potential for conflict

While Opec has been trying to restrict production to push up crude prices, BP has taken a big part in developing oil reserves outside the Gulf area which have helped to push prices down from the artificial heights reached at the start of the decade.

The potential for future conflict is clearly large, especially in the event of another oil crisis which Opec might want to exploit and which the UK, as well as BP, would try to mitigate. Even in today's depressed oil market, Kuwait's short term policies can affect BP. Its decision to raise production well above its Opec quota, has helped to push down crude prices, which in turn has contributed to the depression of BP's share price. Although this has no direct bearing on its present stake in the company, it is suggestive of the conflicts which might arise in future.

The Government was therefore right to require a divestment in this exceptional case in which the purchaser was a sovereign state deeply involved in the politics, production and processing of oil. This should not be taken to mean that BP – or any other large company – can rely on special nationalistic protection against foreigners. The Government must stand by its free market principles.

These include the safeguards of the Fair Trading Act under which the Monopolies Commission operates. In spite of an unfortunate flexing of political muscles which surrounded the BP case, the rules were properly applied, the argument was fair and the outcome correct.

Mr Kinnock's best shot

THE LEADER of Britain's Labour party, Mr Neil Kinnock, delivered the best social democratic speech of the season to his party conference yesterday. The essence of his message was as far removed from the state socialism that has lost the Labour Party the last three elections as Governor Michael Dukakis' Democrats are removed from the wild-and-woolly Mondale Democrats of yore.

It is true that both Labour and its leader are committed to new forms of "social ownership" of the major utilities and other companies, but this was hardly mentioned in yesterday's speech, while its whole tone suggests that the commitment will be further diluted by the time the next General Election manifesto comes to be written. In short, the speech had appeal directly to the centre ground of British politics.

It took account of the market, with its acknowledgement that the economy which a future Labour government would have to manage would be market-led. It accepted the need for competition. It recognised that a mixed, albeit regulated, economy was necessary if wealth was to be created. Britain's membership of the European Community is now welcomed, as is Mr Jacques Delors' vision of a "social dimension" to the EC's affairs.

Collective argument

Even the importance of the individual was recognised. Mr Kinnock proclaimed Labour to be the consumers' party, and capped it with an intriguing argument to the effect that when collective actions are taken the collective should be regarded as a means of enhancing the well-being of the individual.

Yet Mr Kinnock has still not come up with a credible defence policy. The mood in his party, and among some of the powerful trade unions that support him in office, is still strongly in favour of unilateral nuclear disarmament. All that Mr Kinnock could say was that the review of defence policy would take another year. He did, however, add a significant rider. Whatever policy was put forward, he said, would have to appeal to enough voters to render Labour electable; otherwise the policy could not be implemented. Since simple unilateralism has been rejected time and again by the British electorate, Mr Kinnock and Labour have their work cut out. The disputation began as soon as the Labour leader sat down yesterday.

Yet his speech has a significance for the Labour Party beyond its content. It was made in the immediate aftermath of an overwhelming victory in the leadership and deputy elections. The old hard left, in the person of Mr Tony Benn and his allies, had just been convincingly vanquished. Mr Kinnock felt he had a mandate to lead his party towards a presentation of social democracy, and he took it. The same feeling has been reflected in a series of votes on the Kinnock-ite policy reviews, not to mention changes in party rules. There have been slips, such as over the snap vote on a minimum wage yesterday, but by and large the leader and his team are getting their way.

Mass-membership

The strategy now is to build a mass-membership so that Labour can move towards the possibility of a one-person-one-vote structure. The Labour centre-right is at present dependent on the trade union block vote to keep the hard left at bay; it will not feel confident enough to talk of eroding that block vote before it has a much larger, more dependently moderate, rank-and-file.

In spite of this promising performance, Mr Kinnock will continue to be under test as a leader. He has been in the job for five years and even now his party is trailing well behind the Government, which it should not be at a time when the centre parties have collapsed and interest and mortgage rates have shot up. If it is to survive, the new Kinnock Labour Party is just as much in need of progress at the polls and a string of local council and by-election victories as are the Democrats. Mr Kinnock has given his best shot to date. The coming year will tell whether it is good enough.

Martin Dickson reports on Grand Metropolitan's bid for Pillsbury of the US

The quest for critical mass

Mr Allen Sheppard, the chairman of Grand Metropolitan, the food and drinks group, has a reputation as one of the tougher, blunter managers in British industry. With a quick, if rather acid wit, penetrating blue eyes and a London accent, he is not a man known for elaborate flights of fancy.

So there was little or no exaggeration yesterday when he described GrandMet's £3.1bn bid for Pillsbury, the troubled US food and retailing giant, as a move which, if successful, would "change the whole shape of the group for the 1990s".

The aim is to give GrandMet's existing food and retailing operations – which are large in a UK context but small on an international scale – a "critical mass", enabling the group to become a leading world player in these sectors.

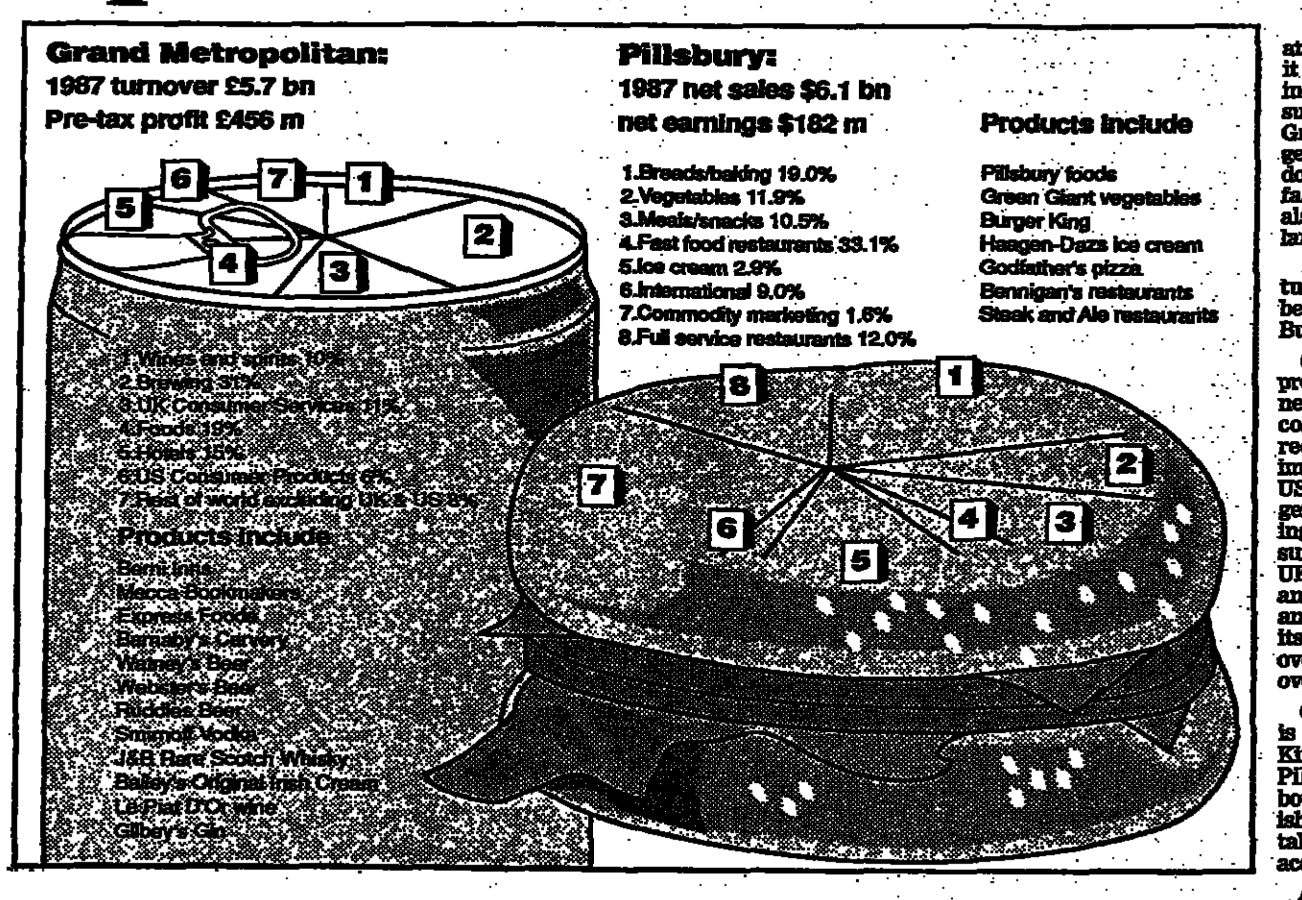
Behind the strategy lies the belief that the world's food industry is becoming increasingly global, with strong brand names appealing across national borders.

This development has parallels with the growth of global markets in the world spirits industry over the last decade – a trend which has been ridden successfully by International Distillers and Vintners (IDV), GrandMet's wines and spirits division. It has become one of a handful of worldwide companies which dominate the sector, with brands such as J & B scotch, Croft Original sherry and Malibu. (It is currently embroiled in a bid of its own, the three-sided fight for Irish Distillers, the sole manufacturer of Irish whiskey).

The aim now is for GrandMet's food and retailing side, which includes Berni and Pastificio restaurants and Express Foods, to emulate IDV.

The Pillsbury bid is the second move in a carefully orchestrated strategy change which began last week when GrandMet sold its Inter-Continental hotel chain for £1.35bn to Seibu Saison, the Japanese conglomerate. Money from the first deal will help fund the second.

The sale of the hotels chain means that the number of the group's core businesses has shrunk from four to three – foods, drinks and retailing – while taking over Pillsbury would even out the contributions to turnover of those three sectors. At present, drinks dominate, accounting for 51 per cent of sales, against 23 per cent for foods and 26 for retailing and property. Post-Pillsbury, the respective contributions would be 32 per cent, 39 and 29.



The simplicity of Mr Sheppard's plan for the 1990s contrasts sharply with the twists and turns of strategy that GrandMet has gone through during much of the 1980s – upheavals which, to a considerable extent, stem from the company's history.

It was founded by Sir Maxwell Joseph, one of the most remarkable post-war British businessmen, who built up a business based on hotels in the 1950s and 1960s before diversifying into food (Express Dairies) and brewing, through his bitterly contested takeover of Watney Mann in 1972. "He was a man who would buy anything if it was cheap," recalls Sir Stanley Grinstead, the quietly spoken man who emerged as Joseph's successor at the start of the 1980s.

Under Sir Stanley, Grand Met embarked on a strategy designed, as GrandMet saw it, to counter some of the weaknesses of a business founded on entrepreneurial flair. They included a drive into the US (with the acquisitions of the Liggett Group and Inter-Continental Hotels); a controversial move into so-called branded consumer services, such as kindergarten chains and home health care; the sale of peripheral businesses (such as the Mecca bingo hall chain); and the building up of the drinks side, most dramatically with IDV's successful $1.2bn bid in 1987 for Heublein, the large American spirits business.

But in early 1987 Mr Sheppard, a former motor industry executive who joined GrandMet in the mid-1970s, emerged as Sir Stanley's heir apparent and the company – which had been the subject of bid rumours – began to display more aggression and a further change of strategy.

Hotels were suddenly no longer a core business: Mr Sheppard said yesterday the group felt that it had to concentrate on just a few areas where it could be a truly world player in the 1990s, and hotels were not among these, particularly given the extremely high prices that had to be paid for properties.

There has been further major change of policy: Whereas in the mid-1980s GrandMet said it wanted an equal split of its eggs into three geographical baskets – 30 per cent UK, 30 per cent US, 30 per cent rest of the world – the main emphasis yesterday was on the group's sectoral make-up.

"One of the things GrandMet did wrongly," said Mr Sheppard, "was to place too much emphasis on geography rather than sectors where we could add value."

The new strategy established, the group began what it says was an exhaustive look at potential targets in the food industry, homing in on 10 possibles in the US and then finally pouncing on Pillsbury.

Its chosen target certain has major attractions. With annual sales of $6bn, it is one of the leading food and retailing companies in the US. On the consumer foods side, its products include Green Giant brand vegetables, Haagen-Dazs ice cream, Pillsbury chilled dough and a variety of products in the fast-growing microwave market. It also owns Burger King, the second largest hamburger chain in the world.

But Pillsbury has been in a state of turmoil in recent months, partly because of the poor performance of Burger King (see below).

GrandMet argues that, despite these problems, Pillsbury's underlying business is sound and that the British company can draw on its proven record of brand management to improve the group's prospects in the US and expand internationally. Burger King depends heavily on franchising and GrandMet argues that its has sufficient experience in this field. Its UK operations include 5,100 managed and tenanted pubs, 280 restaurants and 780 off licences, while in the US its Pearle Health Services business has over 1,250 eyecare outlets, of which over 50 per cent are franchised.

Critics may question whether that is sufficient experience to turn Burger King around, and the sheer size of Pillsbury relative to GrandMet is bound to raise queries about the British company's management ability to take on such a large and demoralised acquisition.

Against that, however, GrandMet's big acquisitions in the US to date – notably Liggett and Heublein – have been judged by analysts as highly successful and Ian Martin, who heads its north American operations, has a good reputation.

Yesterday there was a sharp dip in the GrandMet share price. Analysts did not express much concern about the level of gearing it would take on to fund the bid. Nor the price seem to dilute earnings heavily.

But doubts remained over the possibility of a long fight (despite GrandMet pitching the bid generously in the hope of a quick knock-out) and the chances of the British group having to pay yet more.

"As the 1990s progresses GrandMet will develop into one of the world's greatest food and retailing groups," Mr Sheppard said yesterday. The City would like to believe him, but it still needs some convincing.

Putting the bite on Burger King

Miami Vice versus Minneapolis Ice is one of the more polite ways insiders describe the corporate culture clash between the management of Burger King and Pillsbury, its parent.

Executives in Florida, much harassed by head office because of the dismal performance of the world's second largest hamburger chain, have a penchant for tans, snappy suits, and the buzz words of the fast food business.

Up north in the land of Swedish immigrants, the number crunchers and MBA marketeers have long wrestled with Burger King's declining fortunes. So severe are its problems that some analysts had seen it as a poison pill likely to deter raiders. Others said it should be sold lest its financial drag costs Pillsbury its independence.

The latter view won yesterday with the $5.23bn takeover offer from Grand Metropolitan. If it succeeds in winning Pillsbury, the UK group believes it can revitalise Burger King and squeeze much out of Pillsbury's relatively more prosperous packaged food business. Turning the hamburger business around, though, will require more than the meeting of minds between Miami and London.

Burger King's reputation for poor operational control and inconsistent quality which has been putting off diners used to the unerring standards of McDonald's, its arch rival and number one at home and abroad. Marketing also backfired with the "Herb the Nerd" campaign which suggested that anyone who had failed to visit a Burger King was a hick from the sticks. Its market share has slipped in the past couple of years to 18 per cent, less than half McDonald's.

Big efforts this year, partially imposed from Minneapolis, have failed to arrest the decline. Sales, net of business from new restaurants, fell 5 per cent in the quarter ended August 31 from a year earlier. Changes included new management under the fourth chief executive in 10 years and a switch in advertising agency.

Burger King can be revived, though. "If GrandMet achieves management stability with the right people, they'll get a satisfactory return," said Mr John McMillin, a Prudential-Bache analyst in New York. He estimated Burger King had operating profits of $153m on sales of $1.25bn in fiscal 1988.

Foreign expansion would be a good opportunity since fully 90 per cent of Burger King's 5,600 restaurants are in the US. Such a move would only intensify competition with McDonald's which already has 25 per cent of its outlets overseas. GrandMet, with little fast food experience, "will find competing against McDonald's isn't fun. It's like going up against Attila the Hun."

Poor management is a wider problem at Pillsbury. Under the 13-year reign of Mr William Spoor, the autocratic and irascible chief executive was blamed by Wall Street for letting the food giant get stodgy.

"Spoor had stubbornly hung on to Pillsbury's old asset base while the rest of the food industry was restructuring," an analyst said. General and administrative expenses were some three percentage points higher than the food industry average of 8.5 per cent of sales, yet the money was not well spent. Pillsbury neglected some of its famous existing brands while it searched for the big acquisition that would make its next fortune.

Mr Spoor retired in 1985, handing over the reins to Mr John Stafford, a younger executive with a collegiate style. But after three years, the board ousted him for failing to get to grips with Pillsbury's problems. Mr Spoor came back as an interim chief executive.

His second reign from February to July this year was unpopular within the company. Though he fired the heads of the restaurant and consumer food businesses, cut corporate staff by 12 per cent and pushed through other restructuring measures, staff said he got badly bogged down in trivialities such as how many pot plants an office had.

Wall Street was not enthusiastic about Mr Spoor's replacement, Mr Philip Smith, who had turned in a patchy performance as chief executive of General Foods.

If GrandMet succeeds in winning control of Pillsbury, analysts say it will face a huge task to rebuild the badly dented morale of its management, get Burger King back on track and bring a more effective brand strategy to its packaged food businesses.

Roderick Oram

Real soap in Tokyo

■ If last week's Japanese purchase of the Intercontinental Hotel chain has done nothing else, it has brought to the world the story of the Tsutsumi brothers. The tale may have limited relevance to the deal – the elder of the two brothers, Seiji, owns the company which has bought Intercontinental for £1.3bn – but it would make wonderful television.

Seiji Tsutsumi, 61, is one of the richest men in Japan. The man generally known as his brother, Yoshiaki, is 54, and one of the richest men on the planet. They are in fact half-brothers, Yoshiaki being the son of one of his father's mistresses. They do not get on with each other.

Both owe their start in life to the splitting up of the empire of Tsutsumi senior, a prominent Japanese tycoon and politician. Why the younger illegitimate son should have ended up with the larger share of the inheritance seems to have something to do with his father's assessment of character.

Whereas Seiji, the elder, was an unconventional youth, who is now a respected Japanese literary figure as well as businessman, Yoshiaki is the classic tight-fisted billionaire. Fond of photography, it is said that he agonises over wasting the last couple of shots on a roll of film. He once told a reporter that of his 30,000 employees, not one uses extra water or paper towels after using the company conveniences.

The rivalry between the half-brothers is the stuff of legend. At the funeral of Yoshiaki's mother a few years back, the story goes, prominent politicians from the Prime Minister downwards came to pay their respects. But not Seiji. He sent a barrage balloon to hover over the scene, advertising the opening of his latest store. With real life like that, who needs Dynasty?

OBSERVER

God's share

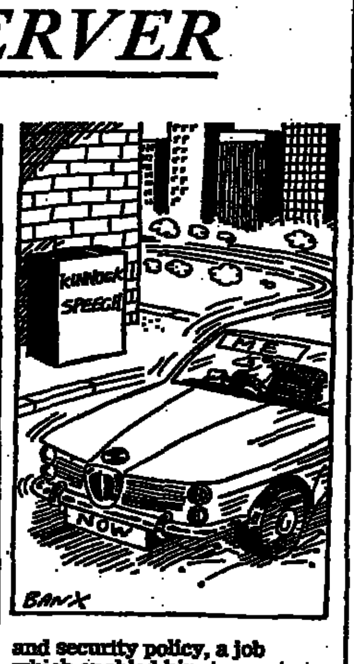
■ A year ago the Catholic Truth Society was in acute financial difficulties, but now looks better off. The Society says in its annual report published this week: "At this time last year we had to sell all the Stock Exchange investments shown in the balance sheet in order to cope with the situation. Following the October stock market crash, that now of course looks like a very wise decision, but if so it was made by divine providence, not by the foresight of the general secretary!" The anniversary of Black Monday is in 10 days' time.

Last hawk

■ The last of the hard-core Reaganites has left the Pentagon. Dr Stephen Bryen, helped by his conservative soul-mate, Richard Perle, led Washington's battle to stop high technology being transferred to the Soviet bloc.

For seven years, Bryen served as the biggest scourge of the so-called "techno-bandits". He was involved in high profile cases such as the Toshiba-Kongsberg sale of advanced propeller technology to the Soviet Union, Datasaab's sale of air command and control technology for Moscow's airport, and the policing of sanctions imposed by the US in the Siberian pipeline affair. His attempts to curb European desires to expand trade with the East bloc frequently aroused wrath in Bonn, Brussels and London.

Bryen's official title was deputy under secretary for trade



and security policy, a job which enabled him to create from scratch a new department which today has 150 people and a $5m budget. He relished telling interviewers that one of his most ferocious investigators of techno-banditry is a former journalist with the Manchester Guardian.

Bryen's departure follows the resignations in the past year of other conservatives such as Mr Caspar Weinberger (now an honorary Sir), Perle himself, Fred Ikle, and Frank Gaffney.

Horton's price

■ Odd in a way that the Monopolies and Mergers Commission should have considered the interests of British Petroleum and Kuwait to be so much at variance. Robert Horton, the managing director of BP, obviously does not.

In a speech to the Oxford Energy Seminar last month, Horton said: "There is plenty of room for discussion as to what price best satisfies the long-term interests of oil producers and consumers. The oil industry has favoured $18 as a price that gives some measure of stability, ensures a proper return to producers and allows oil companies to fulfil adequately their responsibility for future supplies."

Horton referred to the near collapse of oil prices in 1986 which, he said, would have had devastating consequences. He then urged OPEC to call an emergency meeting before November 20 – presumably to bring up the price to $18 a barrel.

Poor Jarre

■ For all his fame, two concerts by Jean-Michel Jarre are an unusual event. The musical Frenchman who uses laser-based pyrotechnics for his show has appeared in public only on four occasions: in China, Lyons, Paris and Houston. The Houston concert holds the record for any musical event, having attracted 1.2m spectators. In London's Docklands next Saturday there should be 110,000 ticket-holders, though word has gone round that it is just as easy to see it for nothing from a distance. The hastily arranged second concert on Sunday remains undersold: hence a spectacular dress rehearsal last night to attract attention. Box office revenues of £2m, Jarre claims, will scarcely cover the costs. Still, the publicity helps to promote his latest album, Revolutions, which is rising to the top of the UK charts, and it is the records that make the money.

No joke

■ My colleague, Samuel Brittan, says that he saw a book on sale in Berlin last week called "East Prussian Humour". Alas, he didn't buy it.

Joe Rogaly examines different approaches to the increasingly prominent issue of the individual and the community

The active citizen for all parties

The class struggle is over. The politics of the next century will be about the individual, and her place in the community.

Whether or not this proposition is correct, Britain's political parties are all alive to it, although their reactions vary. Most parties now have something to say about the individual as a citizen. Never mind the workers. You hear little about them at either Conservative or Democrat gatherings. Forget about bloated capitalists. Only the receding hard left is serious about its attacks on them at Labour conferences. Two new questions by-pass all that. What are a citizen's rights? What are his responsibilities?

This turn-of-the-millenium change in political thinking is reflected in a growing pile of new publications. One of the most recent is Professor Ralf Dahrendorf's book, The Modern Social Conflict. Another is "Facing up to the future", an already-famous draft policy statement published by the British Communist Party. Yet another is the October issue of Marxism Today, which develops the CP's inspired futurology and comes out with "social citizenship" or "democratic individualism". These documents are not all. There was plenty of material of relevance to the notion of citizenship at Dr David Owen's recent party conference in Torquay, and gallons more at the Democrats' conference in Blackpool last week. The rights of the individual citizen are a central theme at Labour's do in the same town this week. Several Tory Ministers, including Mr Douglas Hurd at the Home Office and Mr Kenneth Baker at Education, have contributed texts. It is certain there will be more at next week's Conservative conference.

The best way to make sense out of all this is to start with the Conservatives, since they are in charge and likely to remain so for a long while. Their patent is the Active Citizen, an individual who gives money and time to serve the community. This paragon has been invented in response to the argument that the free market as promoted by Mrs Margaret Thatcher's Government is hard and uncaring. A number of acerbic exchanges with the Church of England led Mrs Thatcher herself to remind us of the parable of the Good Samaritan. Even the most stony-faced Thatcherite is susceptible to the protest that making money cannot be all that life is about. Enter the Active Citizen.

Not too active, however. Not so active that ACs spend more taxpayers' money. For we are talking small here. In a recent article in the New Statesman, Mr Hurd says that the strongest loyalties are to family, neighbourhood and nation. He quotes Burke: "No cold relation is a zealous citizen . . . To be attached to the subdivision, to love the little platoon we belong to in society is the first principle (the germ as it were) of public affections." The Government's small platoons are neighbourhood watch groups to combat crime, parent-managers of newly opted-out schools, council tenants with greater management control over their estates, charitable groups and the like.

In this Conservative version all the emphasis is on the *responsibilities* of the citizen. This re-awakens a long British tradition of charitable impulse and voluntary service. At the end of last year there were 161,376 charities registered with the Charity Commission. Their total income was £12.65bn in 1985, an increase of a third in real terms since 1980. More than half this money came from fees and charges; private household giving, which is hard to measure accurately, accounted for £1.5bn at the most and probably only a fraction of that.

But people apparently do give their time. Middle-aged professionals give the most. Surveys suggest about half the population puts in some hours in most weeks, with women giving nearly 2.5 hours more per month than men. The preferred causes are children and teenagers, the disabled and the elderly. The National Trust seems to have the most members. The most common type of activity seems to be fund-raising or organising or helping with events.

Even the most stony-faced Thatcherite is susceptible to the protest that making money cannot be all that life is about

This kind of analysis, which is available from the National Council for Voluntary Organisations, is basic to an understanding of the limitations of Mrs Thatcher's version of Active Citizenship. Unpopular causes — help to single mothers, say, or sitting by the bedside of the dying — will get less attention. Changes made by the Government in the benefit system have made it less economic for people to care for the disabled. The residential care allowance rules favour the establishment of private nursing homes for the elderly rather than the development of care at home. Elderly and disabled people living in the community will not be exempt from poll tax (some of the disabled prefer not to have special treatment). The rules for the earning of small stipends by volunteers living on social security have been tightened; among 16-17 year olds only those of independent means are likely to volunteer. If the Government is adopting AC as an ideology, then it needs to think it through.

The fact that it has not yet got it right gives the opposition parties their chance. They can take a broader, perhaps more appealing, view of the relationship of the individual to the community. You will not be surprised to hear that the centre parties muddy the waters. For they approach citizenship from two separate points of view. Both place great emphasis on *civic rights*, and call for proportional representation, constitutional reform, and other devices whose effect would be to enhance the political effectiveness of the individual citizen. But these are not central to the current political debate.

The centre parties, like Labour, know what the core issue is. It goes under various names, but the heart of the matter is *economic rights*. The rump Social Democratic Party takes the hardest line on this. In his paper on the social market economy the SDP's principal academic thinker, Professor Robert Skidelsky, protests that the ideal of citizenship had meant universal provision of free education, health care, family allowances and so on. This universalism had perished in the 1970s, leaving behind "a semi-permanent underclass surviving on the most degrading form of selective assistance: supplementary benefits." The task now is to encourage the recipients to take advantage of improved life-chances offered to them.

Funny. Haven't we heard something like that somewhere before? A modern new-Right classic on this very topic is to be found in the US, in the book Beyond Entitlement: The Social Obligations of Citizenship, by Lawrence Mead. The proposition it suggests is that the very poor — the down-and-outs, the single-mother families, the long-term unemployed — constitute an underclass whose citizenship is in doubt. To become full citizens they must be willing to participate in the mainstream economy, given sufficient training. In short, we are back to the notion of citizenship as involving obligations as well as rights. To be fair, Prof. Skidelsky refers to encouragement rather than coercion; what is more, others to the left of him are mining more deeply in the same conservative mother-lode.

One such is Raymond Plant, Professor of Politics at Southampton University. Writing in a Fabian — yes Fabian — pamphlet published last week, he postulates that if welfare entitlements do in fact create dependency then "certainly some forms of welfare (which would not include health, education, services for the elderly and the non-able bodied) could be linked to obligations if they were thought likely to overcome dependency." In simple right-wing English that means workfare. Prof. Plant would regard its introduction as unjust in the absence of full employment, a regional policy and decent levels of training. The fact that he would even contemplate it gives a cutting edge to his overall argument, which is that "democratic citizenship" should become the key theme of Labour's programme. "The citizenship approach," he writes, "rejects Marx's argument that since class determines political interests there can be no common basis for citizenship while there is some private ownership . . ."

Like his Democrat equivalents, Prof. Plant is adamant that citizenship involves the right to certain basic services. Delivery of those services remains an open question. "I doubt," he says, "whether there is a real way forward in the welfare field without empowering individuals through cash, rights, entitlements and cash surrogates such as vouchers." The cunning of this is that the citizen becomes a consumer of health education and welfare, thus busting the power of doctors, teachers and social workers. The Democrats, in their Setting the Agenda document, talk of "empowerment", adding that their party "should stand for active, participatory and responsible political, social and economic citizenship, as opposed to passive subject-hood". Labour, in the Kinnock-Hattersley statement of "Democratic Socialist Aims & Values" insists that the redistribution of wealth and power are an essential pre-requisite of the extension of choice to everyone.

The question remains — how much wealth and power, and on what terms? The probable answer is that the proposed transfer of wealth is greater, and the terms easier, the further left you go. The old generals of the Labour left — Messrs Tony Benn and Arthur Scargill, to name but two — are fast becoming museum pieces of the class wars of days gone by. Yet the historic universalism of the post-1945 Labour Government lingers on. To judge by this week's debates, a citizen under Labour would enjoy rights to tax-financed services on the largest scale, with the fewest concurrent obligations. That may be a touch difficult to sell to affluent voters, some of whom must be won over if Labour is to govern again. Meanwhile, the centre parties, with their unification of the tax and benefit systems, clearly have much more detailed thinking to do. Thus all the opposition parties had better hurry if the Active Citizen is to be kept from growing into a Tory concept that defeats them once again.

LOMBARD

Second thoughts on universities

By Michael Prowse

I made a ghastly mistake. The provisions on universities in my recently enacted Education Reform Bill will do nothing to increase choice or efficiency. Indeed, I now see that the creation of the Universities Funding Council (UFC) represents a strengthening of central planning and bureaucratic direction that is without parallel elsewhere in the economy. I have instructed my civil servants to consider new market-based mechanisms for financing higher education. In the meantime, please accept my apologies for wasting everybody's time."

This is the confession that Mr Kenneth Baker, the UK Education Secretary, did not make in his speech to vice chancellors in Oxford last week. But this is obviously the drift of his thinking. He now accepts that colleges should have an incentive to pay more attention to the needs of students — the consumers of higher education — and is talking about increasing the students' "purchasing power". He is paying serious attention to the once heretical suggestion that block grants to universities should be largely replaced by education "vouchers" paid directly to students, which would be encashable at the institution of their choice.

Mr Baker's apparent willingness to start thinking positively about higher education marks a significant change in the British Government's stance. For most of this decade, the policy has appeared to be one of managing decline. A sharp spending squeeze was imposed in the early 1980s — ironically just when the number of 18-year-olds was peaking. It led to the closure of departments, the loss of senior staff through early retirement and a sharp reduction in the real value of student grants. Morale has picked up slightly in recent years as dons have come to terms with the new environment. But several institutions remain in dire financial straits despite efforts to attract funding from industry.

The Government, mainly for ideological reasons, is unwilling to pump significantly more money into higher education. So how can the sector be revived? The solution Mr Baker appears to be envisaging is to spread the existing cash more thinly. Later this year, he is due to publish a white paper on student support. This is expected to propose the partial replacement of student grants by loans. The idea seems likely to encounter less opposition than in the past, partly because so many students are already in debt.

Indeed the debate is likely to focus on the type of loans that would be most desirable. One suggestion is that students should repay educational debts by making slightly higher-than-average national insurance contributions once they begin working. Such a relatively painless repayment mechanism would minimise the risk of default and perhaps reduce the likelihood of loans acting as a barrier to higher education for poorer children.

Vouchers, besides eroding the power of bureaucratic committees such as the UFC, could also play a role in spreading resources. It would be only too easy to set them at a level substantially below the tuition fees charged by most universities. Students could then be invited to make up the difference themselves. A multi-tier higher education system would probably emerge. As in the US, the best universities would charge more than those down the pecking order and thus be attended disproportionately by the children of the rich. Against this, however, a given level of public spending would be helping to support a larger overall student population.

Loans and vouchers, paradoxically, could thus be a means of widening access to higher education in Britain. The present policy of giving a very large subsidy to a small number of bright (and mainly middle class) children is difficult to defend. But it is not clear that the Government has thought through the implications of widening access. It will not be possible substantially to raise participation rates in higher education without lowering academic entry qualifications. Yet Mr Baker scarcely seems ready to replace A-levels with a broad GCSE-style examination that 30 or 40 per cent of the age group can pass. Until he does, British higher education will remain élitist, if no longer so expensive.

LETTERS

Privatising electricity: a triumph for hope over reason

From Miss M I Yazdi

Sir, Councillor Emery-Wallis (Letters, September 29) sees the CEGB's proposals for construction of a Fawley B generating station as a potential threat to "all the benefits" that "a more competitive electricity generating business would bring". The councillor advocates "smaller electricity generating options" from a privatised supply industry and implies that the CEGB should abdicate its existing statutory obligation to ensure an adequate supply of generation in the 1990s in the hope that everything will be all right on the day, once privatisation is a fact.

On the first point, it is interesting to note a report in the Western Mail of September 28 that campaigning residents (with similar motives, no doubt, to those in Hampshire) had won the support of Newport Borough Council in that it had rejected proposals for restoration of generation, by a private company, at the site of the closed Rogerstone generating station.

On the second point, the implication that the CEGB's national planning of adequate supplies of generation for the 1990s should be held in abeyance in the cherished hope that all will be taken care of in a very uncertain future by a privatised supply industry, reflects a triumph for hope over reason. Sites for some 15 "Rogerstones" will have to be found and successfully pushed through to fruition to replace one Fawley B.

M I Yazdi,
19 Deer Park Gardens, Mitcham, Surrey

Collating facts on tin

From Mr P C F Crowson

Sir, In the final paragraph of her article ("Price rise poses dilemma for tin producers," September 29) Wong Sulong states that the Association of Tin Producing Countries is proposing the setting up of an international tin study group to carry on the job of data collection, in view of the fact that the International Tin Council will close at the end of the year. In reality the ITC stopped collating and publishing statistics in July when its administrative funds were legally frozen.

Member governments of the International Tin Agreement reportedly planned the establishment of a Trust Fund under the auspices of United Nations Committee on Trade and Development to ensure there were no gaps in the statistics.

The Trust Fund has yet to be established, despite assurances that it would be set up as a matter of urgency. Industry clearly has a different definition of urgency than have governments. In practice, it seems that few, if any, of the member governments are really interested in the statistics on production, consumption and trade — vital to all those actively involved in the tin industry.

The only continuing source of international statistics on tin is the World Bureau of Metal Statistics. It began publication of a Monthly Bulletin on tin as soon as it learned of the collapse of the ITC's statistical machinery, and it plans to develop its statistical coverage of tin as thoroughly as possible.

While governments pay lip service to the need for transparency of markets, it seems, in this instance at least, that only private industry is willing or able to work effectively towards such transparency.

P C F Crowson,
Chairman, Statistical Advisory Committee, WBMS, 6 St James's Square, London SW1Y 4LD

Loyal European Conservatives

From Mr Derek Prag MEP

Sir, In your World News Summary (Tory rebels, International edition, September 30), you quoted me as having said that the Prime Minister's Bruges speech included "massive contradictions". I do not recall having used those words at any time during last week's discussions in the Institutional Committee of the European Parliament.

My main point, however, is to refute your statement that the Conservative members of the committee joined in an attack on Mrs Thatcher's opposition to a "so-called United States of Europe".

Not only did we not join in any attack; we warded off a threat by a Dutch Liberal member of the committee to table a resolution for emergency debate next week which bitterly attacked Mrs Thatcher. Your headline is thus particularly misleading.

It was as a direct result of British Conservative intervention that, instead of a highly-charged resolution condemning the Prime Minister, the committee produced a press statement which merely reiterated certain commitments solemnly undertaken by the member states, and some statements previously adopted by the Parliament on the future of the European Community.

The 45 British Conservative members of the European Parliament cannot all be expected to hold the same views of the future of Europe. Indeed, as with any other 45 MEPs, they hold 45 different sets of views. That is the essence of democracy, and must surely remain so.

I believe that a united Western Europe is vital not only to our economic well-being, but also to the future of freedom and democracy.

I hope these remarks put the matter into perspective for your readers.

Derek Prag,
Pine Hill, 47 New Road, Digswell, Welwyn, Herts

Pensions should be funded by index-linked stock

From Mr W F Tomkins

Sir, Mr Colbran (Letters, September 24) writing on behalf of The Institute of Actuaries states: "The accepted objective of a good final salary scheme is to protect earnings levels up to retirement and purchasing power thereafter."

Having retired from the Ford Motor Co in 1987 after 42 years' service, I am concerned with the latter part of this statement. I am aware that Ford has a very poor record in uprating pensions in payment. An employee retiring in 1974 has seen the purchasing power of his pension reduced by 44 per cent.

In June 1981, you reported that Ford had told its 14,000 pensioners that it could not afford to increase pensions in payment. In recent years high investment earnings have been used to finance early retirement programmes and to halve company contribution rates.

No attempt has been made to restore pension purchasing power in these very favourable circumstances. In the last published actuarial report it is stated "no direct provision has been made for any other regular increases (in pensions). This is because increases are not guaranteed but are awarded from time to time at the discretion of the company."

Thus the contribution to the social scandal of poverty in old age can be expected to continue.

The layman is left to wonder why pension schemes do not make greater use of index-linked government stock, the terms of which so closely mirror actuarial assumptions, viz protected value of capital in real terms plus a real return. It is my contention that pensions in payment should be wholly funded by indexed-linked stock or, alternatively, the actuarial cost of pensions on award should be paid over to the Government which would then be responsible for payment of indexed pensions.

This is already the case for the GNP content of occupational pensions and accordingly would not involve significant administration costs — or indeed matters of principle.

Mr Colbran's views on this proposal would be appreciated. The problem should not be insurmountable. Corporate planning requires making provision for the inflationary aspects of wages and salaries in payment. The more cynical of us are forced to conclude that the present arrangements suit the actuarial profession and their paymasters.

W F Tomkins,
11 Nelmes Close, Hornchurch, Essex

FINANCIAL TIMES
Wednesday October 5 1988

Tardy Italians catch up with Green mood

John Wyles reports that Italy has finally woken up to its ecological responsibilities

IT has seemed recently that barely a week can go by in Italy without citizens of one port or another taking to the streets in protest at the imminent repatriation of a shipload of toxic waste from Nigeria.

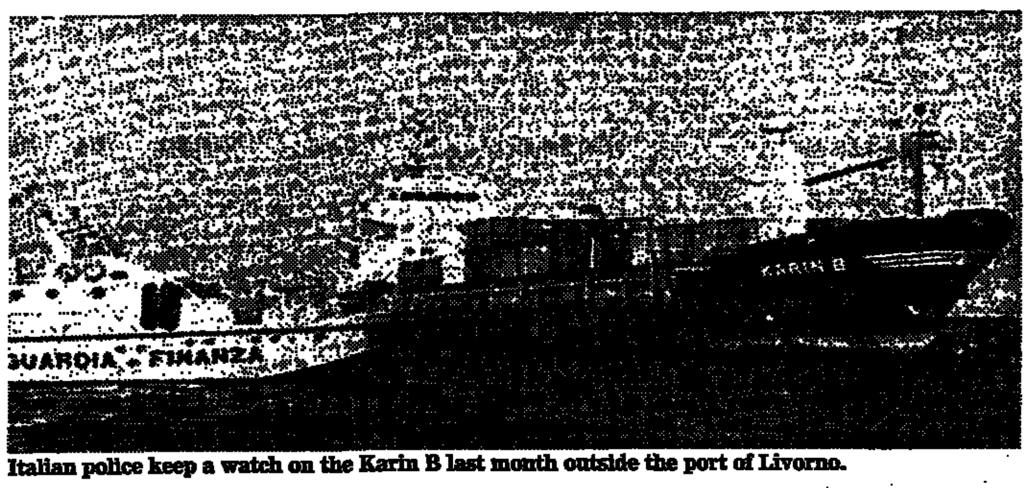
Last Thursday, the good people of Manfredonia on the Puglian coast substantially outperformed earlier demonstrations by their counterparts in Ravenna and Livorno by setting fire to the town hall door and forcing the local *carabinieri* chief to call in the reserves.

All of which undermines the Government's tardy effort to demonstrate to the world that the nation is at last ready to accept its responsibilities towards one of the fairest environments in Europe.

To this end, the Government has bowed to post-Chernobyl fears and embraced a non-nuclear energy policy, and is now ready to spend more than L10,000bn ($7.2bn) a year on dealing with urban refuse and toxic waste. It also has plans for cleaning up woefully polluted rivers and coastal waters. But are the Italian people ready to play their part?

Will they, for example, cease to challenge almost every attempt to build power stations, no matter how well equipped they are with emission-cleansing technology? Will they accept the construction of toxic waste disposal plants in their localities and will local bureaucracies find the technical resources to reactivate the 730 water-purification plants out of a national stock of 1,581 which languish idly for lack of maintenance?

No positive reassurance on these and other equally worrying issues can yet be given because the public reaction to environmental problems is so finely balanced. It is not just that many people seem to reject the "cure" of, say, a non-nuclear power station as a response to the "disease" of nuclear power, it is also a fact that the pan-European conflict between the demands of industrial development and environmental protection is now waging as fiercely in Italy as anywhere else.



Italian police keep a watch on the Karin B last month outside the port of Livorno.

The national debate has been focused by the Karin B, the benighted, peripatetic cargo ship which in August unsuccessfully sought a safe haven in northern Europe for its cargo of 2,500 tonnes of toxic waste. This had been previously deposited by Italian companies on the soil of Nigeria and thence removed after the Lagos Government had followed through its stern threats by locking up an Italian ship in the capital's harbour for several weeks.

The rusty, somewhat leaky containers on the Karin B symbolised for many Italians not only the total inadequacy of national provision for toxic waste disposal but also an attitude to the Third World which was at best careless, at worst ruthless. When the ship was then seen sailing from British to French to Dutch ports without gaining entry, its voyage became not just an embarrassment but a shameful evasion of national responsibility.

Ms Rosa Filippini, a leading Member of Parliament for the Italian Verde (Greens) and Mr Giorgio Ruffolo, the Socialist Minister for the Environment, clash regularly over policy matters but are both agreed on this point. "We were covered with shame by the international reaction," says Ms Filippini.

Both believe that Italy has since done something to redeem itself by becoming the first European country to ban the export of waste materials to Third World countries. But what of the underlying problem? Half of Italy's 15m tonnes of solid urban waste is scattered in uncontrolled dumps for lack of proper facilities, while current disposal capacity can deal with only 10-15 per cent of the 4m tonnes of toxic waste produced annually.

Mr Ruffolo, a somewhat crumpled former economics professor of no small intellect, can be grateful to the Karin B for having nudged into prominence his previously prepared plan to build a national network of multi-functional toxic waste disposal plants which has now been adopted by the Cabinet.

The aim is that the plants, one in each of Italy's 20 regions, should be financed by their industrial users. Some unofficial estimates suggest that there will be an annual market in toxic waste disposal of L3,000bn.

But these plants could take five years to build. In the meantime, the Government will have to organise storage for the accumulating waste – not an easy task in the face of almost certain local opposition. In many cases, this would be exploited by the Greens, whose impressive capacity to harness local concerns recently resulted in the closure of a Montedison chemicals plant in Tuscany and a commitment by another producer in Liguria to spend no less than L100bn on cleaning up emissions.

The Greens reflect the conflict of jobs versus environment. The fundamentalist wing wants to abandon the industrial development which has been the basis of the great Italian economic leap forward over the past 40 years.

Ms Filippini, a founder of the Italian Friends of the Earth, wants a change of priorities but she is prepared work on the same assumption as Mr Ruffolo that the present productive structure should be reformed, not abandoned.

Mr Ruffolo owes his position partly to the efforts of Ms Filippini and her colleagues. Alarmed by growing support for the Greens, the established parties gave Italy her first Minister of the Environment only in 1986, and since Mr Ruffolo succeeded him 14 months ago he has begun to piece together a national strategy to deal with the most pressing problems.

He is proud of the fact that Italy has made "an extraordinary leap" this year in applying no fewer than 18 EC environmental directives, including, after a delay of five years, the Seveso directive on industrial plant safety, spawned by an Italian disaster in 1977.

The fundamental question mark about these efforts, and also about policies for cleansing rivers and polluted air, is closely related to the protests in Manfredonia and elsewhere. All polls suggest that Italians have very little confidence in the ability of the state to deal with environmental emergencies and to administer and enforce regulations. This has clearly been a factor behind protests against the Karin B and her sister "ships of poison".

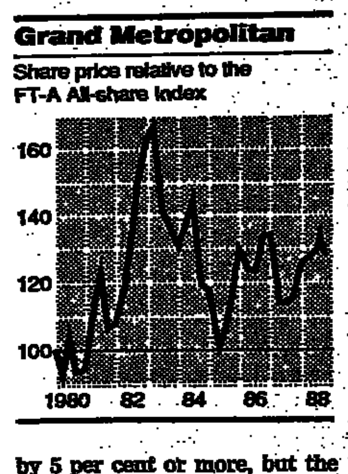
An effective environmental policy requires not only popular support but also efficient controls to test compliance. It also needs public servants capable of minimising bureaucratic delays over such material as environmental impact statements – henceforth to be required from industry in Italy. Italy is not well-endowed with such assets. Mr Ruffolo's infant ministry has only 200 officials although he has ambitions for a "non-bureaucratic" force of 5,000-10,000.

Moreover, many responsibilities will be left to local governments which, especially in the south, will not be up to the task of administration and enforcement unless under very strong local pressures. If Ms Filippini and her Greens could overcome their internal differences and rally the grass roots behind Mr Ruffolo's key policies, there might eventually be less confusion, corruption and chaos in the Italian environment.

THE LEX COLUMN

Out of beds and into burgers

IF Grand Metropolitan had handed back to its shareholders the £1.40p per share it earned on last week's well-timed sale of its hotel chain, its shares would not have dropped by 10 per cent over the last few days. However, the new management team was never going to pass up an opportunity to finance another quantum leap in its global ambitions and has even had the temerity to ask its shareholders for an extra £479m. While no one is denying GrandMet's very real achievements in restructuring its business over the last couple of years, there is a worry that it may now be running a little too fast for comfort.



The earnings dilution from the proposed Pillsbury deal wipes out the positive impact of the Inter-Continental sale, and whilst the overall effect on GrandMet's target of 15 per cent per annum earnings growth is broadly neutral, arguably the quality of the asset portfolio has been diluted and the balance sheet gearing is once again looking rather aggressive. Of course, the growth prospects of a well-managed Pillsbury are far better than an expensive hotel chain. But there must be an element of doubt about GrandMet's assertion that it can quickly conquer the problems of the world's second largest hamburger chain, which accounts for nearly half the Pillsbury business. Memories of Imperial Group's ill-fated involvement with Howard Johnson still linger, and however well run GrandMet's Berni Inns may be, they are not in the same league as McDonald's.

GrandMet has more control over the market's more immediate worry – that it might be forced to pay too much. A prospective multiple two thirds higher than the US market average is a pretty steep price. If GrandMet is forced to pay much more, its credibility will be severely strained.

BP/KIO

Once the Kuwaitis get over their first horrified outburst at the prospect of a £300m loss on their BP holding, they could do worse than sit down politely with BP and attempt to sell the shares back to them. For both parties the solution would be neat, simple, and would avoid the problems of an international placing of nearly £2bn of stock in a market averse to oil shares. The risk of a forced sale of the Kuwaiti holding has already depressed the shares by 5 per cent or more, but the reality of a big, widely distributed sale could do more damage still.

Apart from BP, few single buyers suggest themselves. The MMC ruling disqualifies other oil producing states from taking too lively an interest, whereas US anti-trust law presumably rules out Exxon or Arco. BP has the added advantage of believing its shares to be a raging buy at the moment. While the market worries about oil prices dropping below $10, BP is still holding out for a recovery to $18 in the mid-1990s. The financial strain of a buyback would also seem manageable, adding perhaps three or four points to gearing, which its £4bn annual cash flow would soon take care of.

The Kuwaitis have been granted plenty of time to decide what to do, and could not be better placed to make the most of that flexibility. Indeed, given their inside information about Opec's schemings, any decision to sell the stake early would not bode well for the oil price.

Amstrad

Where many companies get the benefit of the doubt from the market, Amstrad seems to get only the doubt. Yesterday the company produced a set of wholly unobjectionable preliminary results, stitched up an apparently favourable supply deal to help with its chip problems, and was still treated to a hefty fall in its share price. The market may be justifiably concerned about Amstrad sinking money in the bricks and mortar of a semiconductor factory to guarantee supplies. But it is not as though £45m is a lot of money, or 9 per cent of Micron a very big stake – or five times next year's earnings very much to pay for it. And though the market is clearly unhappy with the image of Mr Alan Sugar as forced buyer – pushed into an alliance he does not want to safeguard the chips he needs – it is hard to see the deal going very wrong unless Amstrad gets much more deeply into Micron than is currently the case. Amstrad may have been substantially re-rated over the past nine months – at the best performing FTSE share bar the bid stocks, the company's rating has been slowly catching up the market average – but the prospective multiple remains in single figures, where it probably does not belong.

Mecca/Pleasurama

What Mecca is offering Pleasurama shareholders looks a sensible deal at a sensible price – and if sense were all there were to it, this final offer might well prevail. Pleasurama's share price says that it will do nothing of the kind; and the market seems to be buying the conventional wisdom that if Mr Michael Guthrie does not end up with Pleasurama, nobody else will either. The market has been wrong about that sort of thing before – most recently when a last minute cash bidder emerged for Ruberoid – but there were plenty of investors around yesterday who were not willing to put it to the test.

Yesterday's new offer does little to alter the basic calculations involved for Pleasurama shareholders: neither silly enough to prompt them to dismiss it out of hand, nor compelling enough to make a nonsense of refusal. In terms of pennies on paper, there is little more here than in previous offers; and although the cash is welcome, it may well not be enough.

Virgin

Virgin and its shareholders seem so keen to get shot of each other, that it is hard to see how Morgan Grenfell could have joined them together so happily less than two years ago. The whole liaison was based on a fundamental misunderstanding: shareholders paid 17 times earnings for what they thought was a fast-growing glamour stock, but have ended up with a company that is now predicting no earnings growth for the next three years due to the high cost of organic growth. Virgin may complain of the shortsightedness of its shareholders, but they have still more cause to feel aggrieved that neither the company nor its advisers ever offered an apology.

VEHICLES MUST HAVE 80% LOCAL CONTENT TO QUALIFY AS EUROPEAN

France firm on Japan car imports

By Paul Betts in Paris

MR ROGER FAUROUX, the French Industry Minister, yesterday reiterated France's insistence on at least 80 per cent local content for UK-built Japanese cars to qualify as European products.

Mr Fauroux said in an interview with the Financial Times that France had no intention of building a new *"Maginot Line"* against Japanese imports in general. But he emphasised that France had to adopt a firm position on this key issue because the French and European car industry still needed three to four years to catch up with Japanese manufacturers.

While Britain had always adoped a more flexible policy on Japanese cars made in Europe, France felt the need to take a tougher line for as long as the Japanese car market remained virtually closed to European manufacturers.

Mr Fauroux said France could not afford the risk of large scale layoffs in one of its

Roger Fauroux: no plans for a new "Maginot Line"

key industrial sectors by adopting a lax approach to Japanese car imports. France currently imposes a quota restricting Japanese car imports to a 3 per cent share of the annual French car market. UK-built Nissan Bluebird cars would fall into this quota because their European local content is at present about 70 per cent and not 80 per cent as the French Government is insisting.

The British Government and Nissan have reacted angrily to the French position, claiming that 60 per cent local European content was sufficient for a UK-built Japanese car to qualify as a European product.

Officials in Paris explained yesterday that the dispute between the French and British authorities on this issue reflected in large measure the different economic weight of the car industry in France and in Britain. While the British car industry was no longer a key strategic sector of British industry, they argued that it remained crucial for France with its two large car manufacturers, the private Peugeot-Citröen group and the state-owned Renault group.

On a separate issue, Mr Fauroux explained why he decided to intervene directly last week to prevent Gillette, the US razor group, from going ahead with plans to shut down its large manufacturing plant at Annecy in eastern France.

He said he found it unacceptable that a US multinational should decide to close down a profitable plant and provoke an economic disaster in the Annecy region to help resolve its own financial problems in the US. He said the US group, which has announced plans to close 10 of its worldwide manufacturing facilities, had agreed to reconsider the planned plant closure.

Mr Fauroux also added that he planned to call in the chairmen of France's state sector enterprises soon to ask them to draw up three to five year strategic plans or *"contracts de plan."* He said that a few years ago the main preoccupation had been to see state groups return to profit.

Banks may scrap Swift payments network

By Alan Cane in Vienna

A MULTI-MILLION dollar project to modernise the most important electronic payments system used by international banks will be abandoned in January next year if it continues to fail to meet stringent performance standards.

Mr Bessel Kok, chief executive of the Society for Worldwide Interbank Financial Transmission (Swift), told more than 1,000 leading bankers in Vienna yesterday that after six years of development he remained unable to put a date to the start of the new system, Swift II.

He assured delegates to SIBOS 88, Swift's annual conference, that contingency plans were in place to ensure that Swift could continue to meet its obligations to its member banks into the early 1990s.

Swift, based in Brussels, is a co-operative owned by its member banks. The Swift I electronic messaging system was established 15 years ago to ensure fast and secure transmission of payments messages between banks. It is now close to capacity, connecting 1,460 member banks in 68 countries and passing 1m messages every day worth over $200bn.

Swift II was designed in the early 1980s to overcome the limitations of Swift I. It has been repeatedly delayed, however, and even now it suffers from a lack of reliability and the inability to recover well from failure.

Mr Kok said that progress would be assessed in January 1989: "If at that time we come to the conclusion that the quality in terms of availability and operability is insufficient, then we will not expose you to the usage."

He said two contingency plans were in place. The first involved adding more computers to the existing Swift I network to ensure capacity to the end of 1991.

The second, called SIONA, is being developed at a cost of $9.5m and will involve running the Swift I software on new hardware from Unisys, the main Swift computer supplier. Mr Kok also said the society intended to install a new communications network based on the most modern "packet switching" technology.

Mr Kok emphasised that the society was still fully committed to Swift II. His statement, however, remarkable for its frankness, brought to an end a damaging period for the body.

Suzuki sets sights on European expansion

By John Griffiths in Edinburgh

SUZUKI, the Japanese vehicle maker, is to more than double its production of four-wheel-drive vehicles in Europe and will decide next year whether to set up a European plant to manufacture at least 120,000 conventional cars a year.

"We have a strong desire to manufacture cars in Europe," said Mr Osamu Suzuki, president of the company, in Edinburgh yesterday during the European launch of the Vitara four-wheel-drive leisure vehicle.

He said that manufacturing facilities are to be installed at the Land Rover-Santana plant in southern Spain, in which Suzuki has a 20 per cent stake, to build 24,000 Vitaras a year from January 1990.

The 1.6 litre vehicle is intended to complement the smaller Suzuki SJ410 and SJ413 four-wheel-drive vehicles, 20,000 of which are built at the Santana plant each year. (The SJ models are the subject of allegations by consumer groups that they roll over too easily and are thus unsafe).

Production of conventional Suzukis cars would be regarded as viable only if at least 10,000 units of each model were produced a month, said Mr Suzuki, who would not specify where in Europe a plant might be built.

A decision on whether to proceed would not be made until after Suzuki's $500m joint venture with General Motors to produce 200,000 vehicles a year in Canada comes to fruition. Production is planned to start in March next year.

Suzuki plans to have 50 per cent of its total production inside Japan and 50 per cent in other countries. Apart from Canada and Spain, Suzuki already produces or has advanced plans to produce 150,000 vehicles a year in India, 50,000 in Pakistan, 50,000 in Indonesia and 15,000-18,000 in the UK through IBC Vehicles, the General Motors-Isuzu joint venture company which produces a Suzuki-based microvan commercial vehicle.

Suzuki produced just over 1m vehicles in Japan last year, although this figure includes microvans. Its principal car production is of a small hatchbacks.

However, Mr Yoshio Saito, Suzuki's managing director, said at the Vitara launch that a "whole new generation" of products, greatly expanding Suzuki's range, was planned within the next few years.

The European content of Suzuki's Santana-produced vehicles is currently about 60 per cent. This is regarded by France as too low to be called European, even though it complies with the EC definition requiring only that the last significant manufacturing stage should take place in the EC.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	20	68	Malta	S	25	77	Rhodes	S	25	77
Algiers	S	29	84	Edinburgh	C	11	52	Manchester	C	13	55	Rio de J'o	F	36	97
Amsterdam	F	17	63	Faro	C	23	73	Manila	C	32	90	Rome	C	29	84
Athens	S	22	72	Florence	S	24	75	Melbourne	-	—	—	Salzburg	C	15	59
Bahrain	F	35	95	Frankfurt	C	14	57	Mexico City	C	26	79	San Francisco	C	23	73
Bangkok	F	32	90	Funchal	C	24	75	Miami	R	31	88	Seoul	F	25	77
Barcelona	C	23	73	Geneva	C	14	57	Milan	C	18	64	Singapore	C	32	90
Beirut	F	21	70	Gibraltar	S	23	73	Montreal	C	13	55	Stockholm	F	13	55
Belfast	R	12	54	Glasgow	C	11	52	Moscow	C	18	65	Strasbourg	S	17	63
Belgrade	C	21	70	Guernsey	F	14	57	Munich	C	14	57	Sydney	F	34	94
Berlin	F	20	68	Helsinki	C	12	54	Nairobi	C	26	79	Taipei	C	28	82
Biarritz	S	19	66	H. Kong	F	28	82	Naples	C	24	75	Tangier	S	25	77
Bombay	F	21	70	Innsbruck	C	15	59	Nassau	C	31	88	Tel Aviv	F	28	82
Bordeaux	S	24	75	Inverness	C	10	50	New Delhi	F	33	91	Tenerife	F	20	68
Brussels	C	19	66	Islamabad	F	28	82	New York	C	19	66	Tokyo	C	22	72
Budapest	F	23	73	Istanbul	C	20	68	Nice	F	22	72	Toronto	R	14	57
B. Aires	C	18	64	Jakarta	R	34	93	Nicosia	C	30	86	Tunis	S	28	82
Cairo	F	29	84	Jersey	C	15	59	Oporto	S	19	66	Valencia	S	25	77
Cape Town	F	19	66	Jo'burg	F	29	84	Oslo	C	12	54	Venice	S	17	63
Caracas	C	26	79	Lima	C	18	65	Paris	C	20	68	Vienna	S	17	63
Casablanca	F	23	73	Lisbon	C	30	86	Peking	R	13	55	Warsaw	F	16	61
Chicago	C	18	64	London	C	17	63	Prague	S	16	61	Washington	C	15	59
Cologne	C	15	59	Los Angeles	C	26	79	Reykjavik	S	05	41	Zurich	R	13	55
Copenhagen	S	14	57	Luxembourg	F	14	57								
Corfu	R	19	66	Madrid	S	25	77								
Dallas	S	11	52	Majorca	S	26	79								
Dublin	R	13	55	Malaga	S	26	79								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

School VIPs don't see

Continued from Page 1

English – a tribute to two factors, besides the selection process which sifts out the most unpromising children from special schools.

First, the intensive nature of English teaching at School 15. This begins at age seven and builds up to six hours a week of extra English classes for 10- to 11-year-olds, plus remedial lessons for pupils falling behind.

Second, the traditional approach to learning. Children in School 15 sit in neat rows, stand up when visitors enter, speak only when spoken to, wear neat uniforms in the junior grades and begin their language tuition by rote learning.

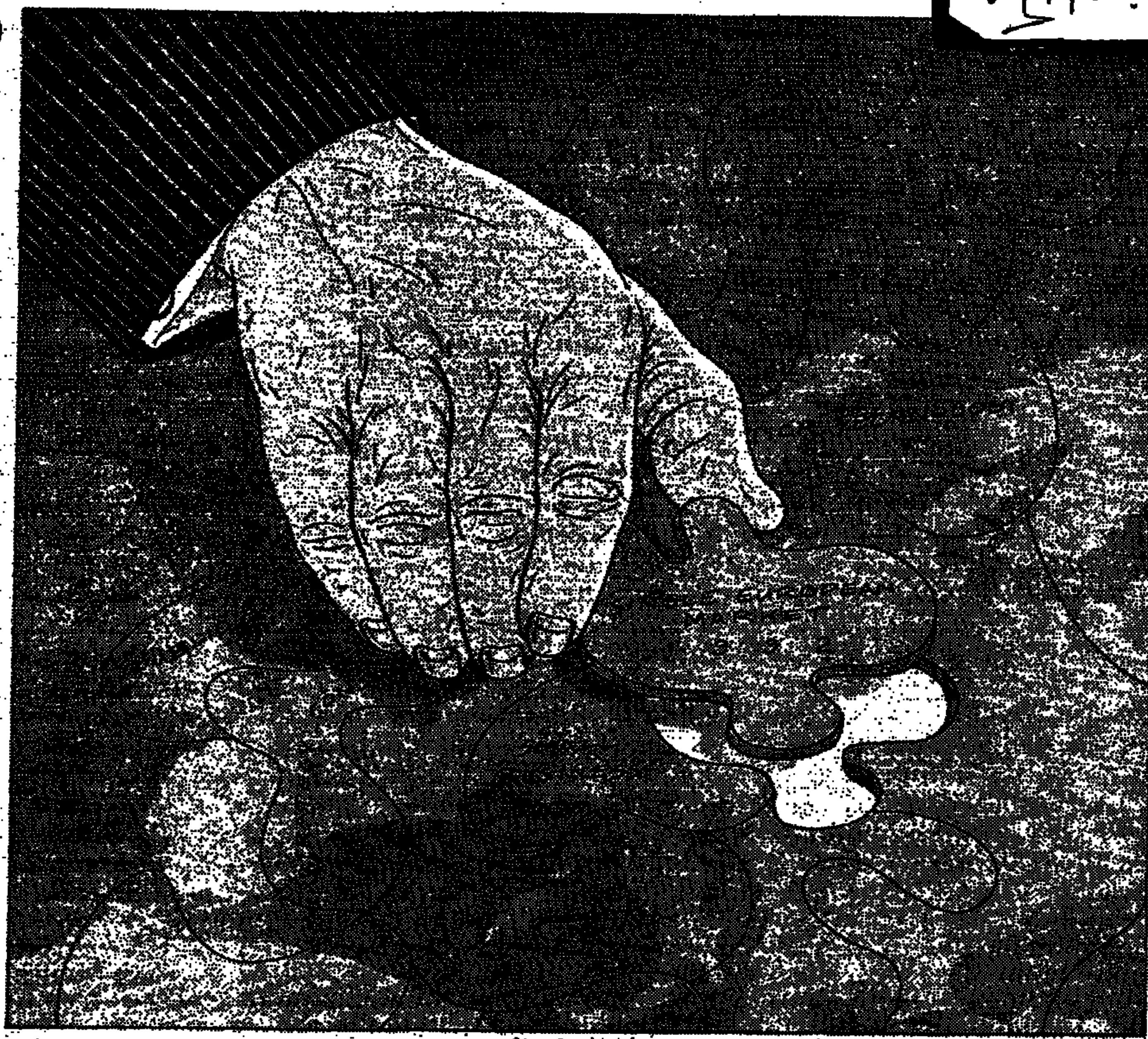
The Soviet Union this year agreed a big overhaul of the school system to give more control over curriculum matters to teachers and schools. The young Turks in Soviet education want to push teaching towards the more informal, child-centred methods that are becoming increasingly controversial in the West.

SECTION III

FINANCIAL TIMES SURVEY

Workloads are continuing to increase, there seems to be no shortage of products for management consultants to sell, and the approach of the single European market in 1992 should provide the sector with a significant boost, reports **Michael Skapinker**

A tailor-made opportunity



Management Consultancy

Contents

Illustration: Mark Thomas

THERE IS hardly an area of public or corporate life which has not received the attention, for a fee, of the management consultants.

Anyone requiring proof of this need look no further than this year's Notting Hill Carnival – Europe's largest street festival. Some of the costume makers, performers and other participants objected to the way the carnival committee was running things. Rather than simply voicing their grievances, they called in the consultants. Coopers and Lybrand produced a report which gave substantial backing to their complaints.

Apart from their help on street festivals, consultants can be found dispensing their advice on how to run factories, hospitals, research laboratories, government offices, supermarkets, transport authorities and anything else you care to name.

Last year the 27 members of Britain's Management Consultancies Association, employing over 4,800 consultants, earned a total of £294.4m in fee income, an increase of 29 per cent over 1986.

The biggest increases were in the areas of manufacturing and technology consulting, up 60 per cent to £30.5m, and personnel management and training, up 85 per cent to £22.6m. The MCA says that its members carry out about 65 per cent of the management consulting work done in the UK.

Mr Brian O'Rorke, the MCA's executive director, estimates that total fee income in 1988 will be about £360m. Yet despite their obvious financial success and their apparent acceptance by a wide range of institutions, many management consultants concede that not everyone approves of them.

Some of the antipathy is to be expected. The work that management consultants do is often threatening to certain groups in client organisations. Professionals in the National Health Service and other public sector organisations sometimes worry that consultants are trying to introduce an inappropriate, profit-oriented way of operating into their organisations.

Managers working in company departments like personnel, training, planning and data processing fear that consultants will recommend that they be dismissed – and that their jobs be done instead by consultants. Any decent consultant will be aware of these fears and suggest ways in which the organisations can overcome them.

Worse than not being liked, however, is the feeling on the part of some consultants that they are not taken entirely seriously. The question "what do you actually do?" is one that virtually every consultant has to answer at some point or other. "Does it do anyone any good?" is another.

What makes it worse for consultants attached to the large accountancy firms is that these questions are frequently asked by their colleagues on the audit side of their own firms.

As to the first of the questions – what do consultants do – one of the difficulties is that consultants do many different things. There is the collection of information to enable a client to come to a decision. A company might need details about potential takeover targets, or about the nature of a foreign market to which it plans to export.

Consultants also provide expert advice on subjects too technical for the client's own staff to handle: which computer system to install or how to set up an executive share option scheme. Another large part of consultancy work, as the MCA's figures indicate, is the provision of training to managers and other employees.

As in any field, some consultants do these jobs well, others do them badly. But at least the purpose and nature of the work is relatively easy to grasp. The same is not always true of some of the "softer" areas of consulting work, such as the formulation of company strategy or the transformation of the client's "corporate culture".

It is in these areas that the "does it do any good?" question is particularly pertinent. The consultants themselves point out that the client is probably the best judge of that and that the steady increase in consultants' income speaks for itself.

"Our clients are not irrational," says Chris Outram of the strategy consultancy Outram Cullinan and Co. "They're not dumb-bells – and they keep asking us back."

Nor, the consultants protest, is consulting an easy way to make money. "It's a very hard and demanding job," says James Morgan of Arthur Young. "You spend all your time going into difficult situations and absorbing stress."

Mr Peter Allen of Coopers and Lybrand adds his own complaints about the general perception of consultancy. "Everyone thinks it's easy, but it isn't. Consulting is a skill and that's what people are paying for. I think it consists of several things: knowing your technical subject and knowing how you can bring it to bear to solve someone's problems.

"You also have to be able to get people to open up to you so that you can identify their problems. You've got to have the skill and discipline to know how to structure a contract with a client. That can be the difference between making a profit or loss on a project."

Mr Allen also points to the strain of constantly having to find new clients and obtain additional work from old ones. "You need to have a lot of energy and you need to be damn resilient and optimistic because you're selling all the time. Fifteen weeks is a long order book for a consultant. I think most people forget that consultants are under the constant pressure of having to sell."

What consultants do not seem to be short of is new products to sell. The arrival of the single European market in 1992 appears tailor-made for consultants. Extensive government advertising has persuaded companies that something important is going to happen. Many of them, however, aren't sure exactly what, or what they should be doing about it.

Mr Ian Davies of McKinsey and Co, asked whether 1992 will be good for consultants, says: "No question. Major discontinuities are great catalysts. 1992 is a major issue and it's very poorly understood – mainly because it's difficult to understand."

Virtually all the large consultants are offering advice, seminars and publications on the meaning of 1992. A conference earlier this year on the implications of the single market for pay and remuneration policy provided evidence, however, of some of the dangers. The respected remuneration consultancy which staged the conference succeeded only in demonstrating that it had no more idea than the delegates what 1992 would mean for pay policy.

Consultants with longer experience of advising companies on international strategy predictably argue that they are better placed to handle 1992 projects. "We've been doing European-wide strategies for many years," says Mr David Hall of the Boston Consulting Group. "What the 1992 debate has done is focus attention on continental Europe and on strategy questions. 'Should we be in France, Germany, Italy or Spain? Should we be making acquisitions?' These are very basic questions that we have been helping people with for years."

Despite such arguments about the quality of products on offer, 1992 will probably provide the whole consulting sector with a significant boost. Indeed, there seems to be little evidence of the slowdown and shakeout in consulting that some practitioners were predicting at the time of last year's stock market crash.

Nevertheless, McKinsey's Mr Davies says: "I often scratch myself and think 'can this go on forever?' I think it would be prudent to assume that it will slow down. I don't think consultancy is recession-proof and I'm sure there will be casualties and mergers. But there is evidence that the underlying demand (for consulting services) is still very strong."

Some consultants argue, too, that there will be an increased trend towards the formation of full-service firms, able to offer a range of consulting products from strategy to information technology to training. This is the logic behind Coopers and Lybrand's decision to take a financial stake in the strategy firm Outram Cullinan and Co.

Coopers and OC&C argue that some clients prefer to formulate their strategic plans with a firm which can then suggest other consultants who would be able to help with the implementation of the strategy.

Mr Richard Koch of the strategy firm LEK believes, however, that the advantages of such co-operation have been overblown. When LEK started in 1983, it set up a joint venture with the PA Consulting Group with the aim of enabling each firm to pass work to the other. "That was the great concept behind it," says Mr Koch. "In practice it really didn't work out that way." The joint venture with PA was dissolved in 1986.

As to the idea that clients will ask a strategy firm to recommend consultants who can help with the implementation, Mr Koch says that "it is amazing how infrequently it happens. It does happen sometimes. I've been working with a financial institution and they needed some advice on IT strategy and we helped to select the IT consultancy. But in nine cases out of 10, the clients do the choosing themselves."

Charles Batchelor examines a government scheme aimed at helping small businesses

Initiative on an ambitious scale

FEW GOVERNMENT schemes aimed at helping small businesses have caught the imagination as effectively as the Enterprise Initiative. Unveiled last January, the initiative will provide £250m-worth of subsidised management consultancy advice to small companies over the next three years.

By the end of July the Department of Trade and Industry had received 104,000 requests for information on the scheme. Ten thousand applications for assistance had been made and, after weeding out unsuitable applicants, the department had approved 6,200 consultancy assignments.

The initiative provides up to 15 days of advice for small companies with subsidies meeting half of the cost, rising to two-thirds of the cost in Assisted and Urban Programme Areas. Advice is available in the fields of design, marketing, quality management, manufacturing systems, business planning and financial and information systems.

Previous consultancy support programmes, some of which have been absorbed into the Enterprise Initiative, drew the criticism that they were under-funded and could only meet a small part of demand. Now, ironically, it is the ambitious scale of the Enterprise Initiative which has provoked scepticism.

Critics doubt whether enough management consultants can be found with the skills to handle the special problems which face small companies. Consultants have traditionally been used to provide expensive, in-depth studies for larger clients, not the concise, low-cost advice which would be more useful for the smaller firm.

The numbers involved in the scheme are impressive, or worrying, depending on your point of view. The initiative aims to help 1,000 small companies a month, rising to 1,500 a month over a three-year period. This volume of work would absorb 60 per cent of the capacity of the members of the Management Consultancies Association, according to some estimates. Association membership comprises 29 of the larger consultants accounting for 60 per cent of UK consultancy fee income.

However, some of the initiative work will be carried out by the smaller, local consultancies, with lower overheads, which are not members.

Even the larger consultancies have been increasing the amount of work they do for smaller companies in recent years. In 1987 26 per cent of the assignments carried out by the association's members were for companies employing fewer than 100 people, while companies employing between 101 and 500 people (500 employees is the maximum level for eligibility under the initiative) accounted for a further 24 per cent.

Some of the large accountancy firms believe they have solved the problem of reducing the cost of providing advice to the smaller company by creating teams of generalists who can meet most of the needs of the small firm without tying up teams of expensive specialists.

Others acknowledge that they see small firms work under the initiative as a "loss leader". "We won't put in juniors just to do it cheaply, so we take a loss on these jobs," said Mr Michael Grunberg, partner in charge of management consultancy at Stoy Hayward, the accountancy firm. "We see it as a superb way to develop our client base."

The traditional complaint that has been levelled at consultants is that they charge large fees for telling people what they already know. The possibility of friction between the consultant and a small client with very limited resources and with no experience of dealing with consultants is even greater.

One small businessman who applied for consultancy help under one of the schemes which preceded the present initiative says he explained to the consultant that his budget for the project was £2,500 but he was presented with proposals costing three times that amount. In the view of this businessman the result of government subsidy is merely to encourage the consultant to inflate the price.

Under the Enterprise Initiative, however, a limit of £300-£400 a day in London has been put on what consultants can charge, with lower levels applying in the regions. The consultancy arm of one accounting firm says it had to reduce its quoted price from £350 to £300-£320 when it realised it was being undercut by its rivals.

These price controls will be welcome to the small businessperson but they raise the question of whether high quality consultancy can be provided at such a "modest" price. The answer may be to provide a "no frills" service, says Colin Wright, partner in charge of business services at Peat Marwick McLintock, the accountancy firm.

For example, a consultant designing an accounting system would probably leave out the more sophisticated options. This would not only reduce the cost, but would make the system more manageable for the small business with fewer specialist staff.

But many small companies and some consultants worry that standards will fall under pressure from the initiative. One small company looking for marketing advice says it was recommended a consultant who said 15 days work would be needed. The consultant's presentation was so vague, however, that the small firm turned him down.

A second consultant offered to carry out the work in five days but when the company outlined what it wanted done the consultant withdrew from the project without explanation. If the company's suggestions involved more than five days work or were otherwise unrealistic the consultant should at least have explained what the problem was, the small firm's owner says.

It is too early to assess the effectiveness of the Enterprise Initiative, and the Department of Trade and Industry is refusing to release details of individual assignments.

Austin Smith, left, however, is an example of someone who has benefited from a previous government scheme. He was able to call in consultants to help order the expanding building surveying partnership, Hogben Smith Barritt, he had co-founded.

Consultants Stoy Hayward spent four months with the partnership — a management board was subsequently set up, with sub-committees to handle finance, client development, and personnel.

Mr Nigel Olsen, chairman of 3i Enterprise Support, which acts as "contractor" managing the business planning and financial and information systems initiatives, says his organisation has set up a quality control panel to monitor the work that is done. "We intend to be quite tough," he says.

Mr Grunberg at Stoy Hayward confirms that the contractors, which also include the Design Council, the Institute of Marketing and Pera (The Production Engineering Research Association), are policing them much more strictly than previous schemes. Some critics doubt, however, whether the contractors have the resources to supervise the large numbers of contracts involved.

The Enterprise Initiative is still at an early stage and too few contracts have been completed for a clear view of its effectiveness to have emerged. The Department of Trade and Industry's refusal to release details of individual assignments suggests, however, that the government is sensitive to the criticisms which have been made.

The initiative is a bold move which has been welcomed in principle by small businesses and the consultancy profession. Its ultimate success will depend on how effectively it can be put into practice.

ACADEMICS

Keeping in touch, as well as supplementing income

FOR MANY of the academics who staff Europe's business schools, consulting is a matter of survival. Academics' salaries tend to be low, particularly compared to the money their newly-graduated students earn. Consulting is the way that most business school academics supplement their incomes.

Consulting is also the way in which business school academics keep in touch with developments in the world of finance, commerce and industry.

"It's our laboratory," says Ms Sandra Vandermerwe of the International Management Institute in Geneva. "That is where we see what's really happening."

Business schools encourage their staff to do consulting work for the same reasons. Grumbling about low pay is reduced and the credibility of the school is enhanced when academics can refer in their lectures to their contacts with senior executives and to their own experience in helping to turn companies round.

"If business school academics couldn't bring something to the real world, they would not have much credibility," says Michael Goold, joint director of the Strategic Management Centre at Ashridge Management College. Goold and his fellow director, Andrew Campbell, who had both previously been at the London Business School, set up the centre last year.

Most business schools allow their staff to spend a day a week on their own consulting activities, although some of the high-flying academic consultants spend more time out of school than that. "I think situations can arise where the academic is spending so much time on consulting work that he doesn't have time for teaching and research," Goold says.

Consulting by business school professors has a longer tradition in the United States than it does in Europe. Academics like Michael Porter of the Harvard Business School have a national reputation.

Academic consultants in Europe traditionally have been less prominent. In recent years, however, the growing prestige of European business schools has resulted in their academics being increasingly in demand as consultants.

What can business school academics offer companies that mainstream consulting firms cannot? "A consulting company is usually keen to put a whole team on to an assignment," says Goold.

Business school academics, on the other hand, usually carry out consulting projects on their own. "Most business school academics work in a counselling rather than a strict consulting role," Goold says.

He says that one situation in which business school academics can be particularly useful is in assisting a chief executive. "If you're a chief executive, it's a lonely position. There can be some difficulty in finding an internal sounding board for your thoughts, worries and concerns. It's good to have somebody to talk to about what's on your mind.

"It's a role which an individual should be able to play better than a consulting firm."

Many would see non-executive directors as playing that role and Goold concedes that they will often do so. Vandermerwe argues, however, that academics have the advantage of being more detached.

Michael Goold: need to bring something to the real world

"The beauty is that they are objective," she says. "They're usually not involved in the politics of the company. They can get to the nub of things quite easily." She argues that academics can also be more flexible. "We're not institutionalised. We're independent. We have that academic freedom."

Some business school consultants do get involved in practical implementation rather than strategy issues. Both Goold and Vandermerwe say it is important to realise when a larger consultancy firm would be able to carry out a project more effectively than an individual business school academic.

"Some jobs are too big for individuals," Vandermerwe says. "You have to have institutional resources behind you."

Goold adds that "there are certain situations that I encounter where my advice is to call in a professional consulting firm because the nature of the task goes beyond what I can provide as an individual."

Some academics have banded together to form larger consulting organisations. One recently-established consultancy, the Competitive Management Initiative, brings together academics from several business schools.

The banality of their motto — "The quality of management is the ultimate competitive advantage" — might make some wonder whether the group has anything original to say. There is no denying, however, that CMI has some formidable business school names on its books.

Its founding directors include Gary Hamel of the London Business School and Prof C.K. Prahalad of the University of Michigan, who helped to re-educate managers at the British computer company ICL. Robb Wilmott, ICL's former chairman, is also a director. Other academics associated with CMI include Professors Yves Doz and Heinz Thanheiser of Insead, the European business school in Fontainebleau.

Prof Thanheiser, CMI's chairman, says that "the common view which brought us together is the recognition that business schools could just go so far and that individual academics could just go so far." CMI's boast is that it can help to educate and develop entire layers of an organisation's management.

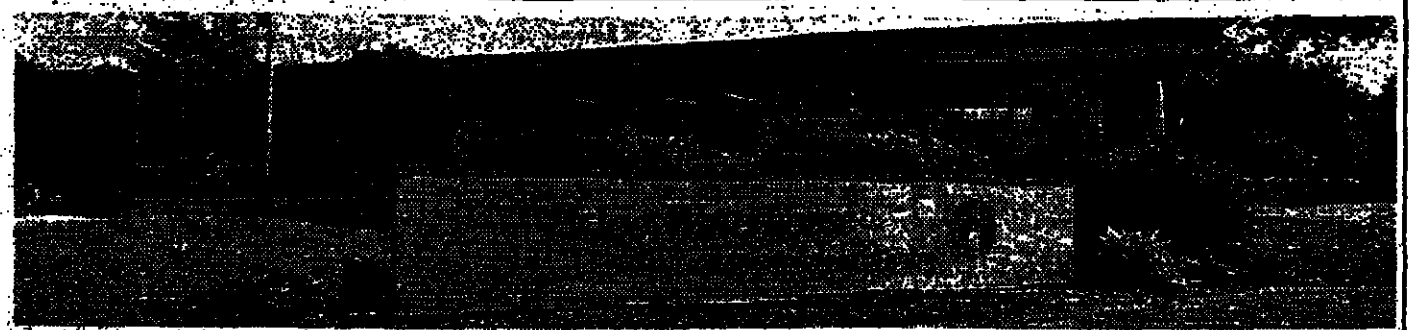
Thanheiser says that while CMI would be prepared to carry out an audit of a company's strategy, it recognises that some organisations would prefer this to be done by one of the well-known strategy firms.

Where CMI intends to use its academic skills is in running intensive workshops for senior managers, using lectures and case studies over a period of three to five days. The firm also offers to help companies educate the layers of managers below senior management.

That, he points out, makes CMI different from a "strategy boutique". "Strategy boutiques would normally not take on mass education assignments," he says.

Michael Skapinker

Alan Cane on the role of information technology consultants



Price Waterhouse is unusual in that it has its own technology centre based in Menlo Park, California

Advisers at board level

THE DISTINCTION between the management consultant and the management information systems (MIS) consultant was once crystal clear.

The management consultant talked to the upper echelons of the corporate hierarchy about business strategy and tactics; the MIS consultant helped the MIS director, perhaps even the data processing manager, to get the best from the corporation's complex and expensive data processing systems.

Over the past 10 years there has been a subtle change, driven by the increasing influence of information technology (IT). Now, the MIS consultant, perhaps best described these days as an IT consultant, is as likely to work with the board as with data processing staff.

This change is mirrored on the other side of the fence where hardware and software vendors no longer deal only with MIS management; senior executives have started to take a serious interest in the cost of data processing equipment and have started to analyse the benefits they expect to get from IT investment.

The result is that vendors are as likely to find themselves making their sales pitches to the board as to the MIS department.

It is universally acknowledged, however, that there is hardly a board in existence which has the necessary skills and experience to make informed decisions about IT strategy and spending. And that is where the specialist IT consultant comes in.

A good example is Gideon Gartner, chief executive of the Gartner Group which is now part of the Saatchi & Saatchi empire.

Formerly a Wall Street analyst, he understands the difficulty computer users face in coming to terms with the implications of information technology. "The market place is so complex today, the diversity of choice is so large that users can hardly cope. They need outside help," he says.

The Gartner approach is a regular diet of analytical bulletins coupled with high-powered consultancy on strategic issues.

There are, in general, three broad categories of IT consultancy. First, there are the IT specialists, consultants who are the traditional advisers to MIS departments. The list includes the Index Group in the US and Butler Cox in the UK.

Often companies in this category have a strong research orientation. The Index Group, for example, publishes regular analyses of the way IT is influencing business: "Winners and Losers in Channel Warfare" is a typical recent contribution.

Butler Cox started its own research foundation through which clients could take part in co-operative research on topics of common concern.

Next there are the "Big Eight" accounting firms: Arthur Andersen, Arthur Young, Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, KPMG, Price Waterhouse and Touche Ross — all of which to some extent have divisions specialising in IT.

Arthur Andersen is the most aggressive and claims to have the most experience, with a history of data processing project management stretching back to the early days of computing.

Price Waterhouse is unusual in that it has its own technology centre based in Menlo Park, California, run by Paul Turner, an expatriate Briton who was at one time manager of the exploratory development laboratory at Xerox's Palo Alto Research Center.

It has a major interest in the use of artificial intelligence, under the leadership of Dr Beaumont A. Shiel, which it believes can be used both as a strategic weapon by its clients and indeed by its own accountancy consultants as an auditing aid. It is a belief that is shared by many of the other major accountancy firms, all of which are carrying out research on artificial intelligence and expert systems.

Some of the firms in this category have developed market specialisms. Ernst & Whinney, for example, has made a special study of the prevention and detection of computer fraud while others have joined forces with consultants from traditional MIS business.

Peat Marwick, for example, recently took over the well-respected US MIS consultancy Nolan, Norton & Co. David Norton wrote recently: "How do you change a lifetime of dependence on a system you have always worked within? This is the central problem of organisational change that we must conquer if we are to reposition our organisations to compete in the future."

Helping companies through that trauma, helping them to "re-invent themselves" is a major role for the IT consultant.

The final category in that class is the software industry itself, companies such as Logica, Sema Group and CAP-Geminin-Sogeti in Europe, and EDS in the US. Software houses have long thought of themselves as IT consultancies, and indeed the traditional approach to software generation involving systems analysis, software design, coding and testing would seem well suited to understanding customers' problems in coming to terms with computer systems.

EDS, a part of General Motors, has made a particular contribution in the area of facilities management, where a computing services company relieves its client of the burden of data processing by taking over its systems and running them itself.

Where a software house has specialised in particular areas like banking or insurance, there has generally been synergy between client and consultancy. Where a software house has attempted to work in unfamiliar areas, however, the result has rarely proved satisfactory.

In Europe, the three categories of IT consultant have generally worked in harmony, respecting each other's skills and experience.

In the US, however, the software and services industry, represented by its trade association Adapso, has bitterly resented what it sees as the intrusion on to its territory of the big accounting consultancies, worrying that their entrenched position as auditors gives them an unshakeable advantage in cross-selling their services.

Arthur Andersen's recent move into packaged software will have done nothing to still their fears.

It points out, however, that it has been writing top-class software since it helped General Electric with computerisation more than 20 years ago.

There is still some way to go until the MIS consultants achieve equal status with the gurus of traditional management consultancy, but they are on their way; the growing number of chief information officers on company boards is evidence of the way the tide is turning.

PROFILE: ARTHUR ANDERSEN

Investing to secure position

ARTHUR ANDERSEN, the management consultancy arm of one of the world's largest accounting practices, is set on a course designed to see it emerge as one of a small group of very large firms which is expected to dominate the market for information technology (IT) consultancy in the mid-1990s.

It is already reckoned to be the pace-setter in IT among those firms which have grown into management consultancy from an accounting background, and is investing at the rate of $250m a year to secure its position.

According to Mr Vernon Ellis, managing partner for the UK: "Any company which is not on the right path by now will never catch up, so great is the investment needed to compete in IT."

Among the developments planned or in progress are:

- The establishment of business units in the IT area not normally connected with consultancies; these now include units dealing with facilities management and with software sales.

Facilities management involves taking over and running a client's data processing department, assuming full responsibility for computer hardware, software and personnel.

- In software, Andersen is selling programs it has developed over the years to help its clients run their businesses more efficiently. It has special skills in manufacturing systems.
- The development of large-scale "demonstrator" projects, designed to show business people that the latest technologies do work and can be used to cut costs and gain competitive advantage.

The list includes "Impact", a series of demonstrators dedicated to the future of computer-integrated manufacturing (CIM), a vision of the factory of the future where computers control and co-ordinate every aspect of the manufacturing process.

This year, the UK office was the force behind Atol, a demonstration that, for technical and drawing offices, at any rate, computer systems can take the place of paper and simplify the complex procedures needed for major project management.

Paul Bradford, project manager of Atol Systems Integration Centre. This year, Arthur Andersen's UK office was the force behind Atol, a demonstration that, for technical and drawing offices at any rate, computer systems can take the place of paper and simplify the complex procedures needed for major project management

The latest project, now on show in the firm's Arundel Street, London, offices is devoted to showing the contribution computers can make to the retail business.

These large-scale demonstrators involve negotiations with 30 or so hardware and software suppliers as well as a considerable investment in time, money and human resources in creating the electronic "glue" which holds the whole project together.

Martin Vandersteen, managing director for Europe, explains the advantages to the firm lie in the skills and experience it builds while working on the projects coupled with the alliances developed with vendors and co-operation generated with its clients.

The technical term for Andersen's role in these projects is "systems integrator" and it has played that part in a number of very large commercial projects. Mr Vandersteen points, for example, to a major CIM environment for Lockeed in California, to systems for the Swiss Options and Exchange (Sofex) in Zurich and to its role in devising the operational strategy for the UK Department of Health and Social Security computerisation project, a substantial development involving more than 25,000 computer terminals spread across the country.

What Andersen's senior executives hate most is being thought to have come late to IT. Vernon Ellis reinforced the point talking to the UK Computing Services Association earlier this year when he said: "We are frequently lumped in with the other accounting firms, the Johnny-come-latelys of the IT industry. Well, we are not. We are in the same business as many of you and have been for longer."

The firm traces its interest in IT back to Joseph Glickauf, a consultant with Andersen in the late 1940s, who tinkered with electronic systems. By 1953, the firm was working with General Electric of the US in Louisville, Kentucky, to see whether the company's accounts could be processed by computer. In 1954, Andersen completed the first successful commercial computing application at GE's Appliance Park.

Now its IT business is growing at about 40 per cent a year (consultancy fees worldwide totalled $748.9m in 1987). "It needs to be," Mr Ellis emphasises. "To be one of the three or four major players in the 1990s, we have to reach the right size quickly."

Alan Cane

STRATEGY CONSULTING

A shift away from the nut and bolts

WHEN HARPER'S magazine cheekily asked some leading strategy consultants to define strategy consultancy a few years ago, most failed to come up with anything coherent.

Although strategy consultants seem to have learned their lesson since and now have a ready definition at their fingertips, most still tend to hedge their bets.

"Strategy consulting is the gathering of market and competitive data in order to improve the competitive position and earnings per share of one company at the expense of another," LEK's Richard Koch says confidently, before adding: "At least, that's what I think it should be."

Chris Outram, of the recently-formed Outram Cullinan and Co (OC&C) puts it this way: "Strategy is anything to do with the long-term allocation of significant resources. It is therefore a board level decision – probably but not necessarily."

Ian Davies of McKinsey and Co has a simpler definition, in keeping with his firm's position at the top of the strategy consulting field. McKinsey's role, he says, is "to address the issues that are of concern to the chief executive."

Regardless of the precision with which they can define it, strategy consulting is where many people want to be. Firms which have concentrated on nuts-and-bolts issues such as the installation of computer systems and the running of training programmes, are finding that their clients are increasingly preoccupied with strategic issues: will this computer system or training programme fit in with the company's long-term plans and direction?

As a result, Arthur Andersen, consultants with a strong information technology bias, also offers advice on strategy. So does Coopers and Lybrand. Apart from having its own strategy consultants, it also has a financial stake in OC&C.

Firms offering advice on strategy have seen enormous growth in the past few years. Most are cagey about the increase in their revenues, but the trend can be clearly seen from the number of professional staff they employ.

LEK, which was set up in 1983 by three former partners of Bain and Co, a rival firm, now has 110 professionals working in London, compared to 70 a year ago and 45 the year before that. It also has offices in Boston, Los Angeles, Sydney and Munich. OC&C, which opened its doors at the beginning of last year, now employs 45 professionals.

Traditionally, firms drew their consultants from the business schools. The top operators, such as McKinsey and the Boston Consulting Group, recruited from prestige American schools such as Harvard and Stanford.

As European schools like the London Business School, Insead in France, and Imede and the International Management Institute in Switzerland have grown in stature, they too have become a recruiting ground for top strategy consultants.

A more recent development, however, is for strategy consultancies to recruit directly from industry. McKinsey's Ian

'There are still large and bloated corporate staffs to be reduced'

Davies argues that attracting consultants from industry is essential if European strategy practices are to get their pick of the talent.

"In the US, the best and the brightest people go to business school. In Europe, there are extremely talented people who don't.

"Second, it's valuable to our clients for us to have a mixture of people and experiences. Experience in industry does give you special skills," he says.

Firms like McKinsey are also casting their nets more widely in the recruitment of associates – recent university graduates who will spend a few years with the firm before, in most cases, doing a Masters in Business Administration.

Although McKinsey has no shortage of applicants from Oxford and Cambridge – 800 last year for 16 places – it now also recruits from other universities such as Bristol, Edinburgh and Trinity College, Dublin.

Davies, like several other strategy consultants, says his organisation could grow faster still if it could find enough high-calibre people.

So what are the forces driving the growth of strategy consulting? LEK's Richard Koch points to three reasons for the sector's rapid expansion.

The first is that many companies have done away with their in-house planning departments, preferring to buy strategic advice from outside as and when they need it.

Second, he says, "is the increase in the professionalism of managers. There are now many more chief executives than in the past who believe that you have to make decisions on the basis of facts and analysis."

The third force behind the boom in strategy consulting, he says, is the increase in the number of corporate mergers and acquisitions. Acquisitive companies look to strategy consultants for advice about possible targets, as well as on such issues as how to integrate an acquired company into its own organisation.

How enduring are these trends, however? "I suspect that there are still large and bloated corporate staffs that will be reduced," Richard Koch says.

And what of the wave of mergers and acquisitions? Wouldn't a reduction in the number of takeovers hit firms like LEK?

Koch counters that only a small proportion of acquisitions taking place at the moment are based on careful analysis. That proportion is growing, however, he claims, to the benefit of consultancies like LEK. "I would guess that only about a quarter of acquisitions are driven by competitive analysis. But that's gone up from a tenth five years ago."

McKinsey's Ian Davies believes that the only thing which could halt the sector's continued growth is a failure by consultants to deliver a high-quality service. To many strategy consultants, providing a high-quality service now means more than just delivering a report to the chief executive. It means helping him or her to implement the consultants' recommendations.

The arch-practitioners of implementation are Bain, whose consultants work alongside the client's managers at all levels of the organisation. Critics claim, however, that this prevents the client company from taking responsibility for itself.

Although other strategy consultants disapprove of the Bain approach, they recognise, according to David Hall, senior vice-president of the Boston Consulting Group, that "people aren't paying for terrific ideas any more. You've got to have a bottom line improvement in profits.

Michael Skapinker

Richard Waters on accountancy-based firms

Profitable game is follow the leader

IF IMITATION is the sincerest form of flattery, Arthur Andersen is the most flattered accountancy/consultancy firm in the world. Competitors from the accountancy area are beginning to target Andersen's information systems market, and are adopting Andersen's techniques to do it.

Projections for the growth of different sections of the management consultancy market explain why they are interested. According to one estimate, strategy and general management consultancy – the markets most accountants have been interested in so far – were worth £400m in the UK in 1987. By 1992 that is projected to have grown to £700m.

Not bad – but nothing like the information technology (IT) market. From £1.5bn in 1987, it is likely to become £3.4bn five years later. And that does not include software or facilities management (actually running a client's computer function).

Andersen' attack on the market was devised two decades ago by Mr Victor Millar, who is now head of operations at Saatchi & Saatchi. The methodologies, training, experience and market position that the firm has built for itself would take a competitor years to acquire. No wonder that Mr Millar has tried to buy his former employer. And no wonder that Andersen does not want to sell.

Other accountants, who have spent years decrying Andersen's consultants as unprofessional automata, also think that they may be interested in the IT market. They all give strategic advice on systems and manage projects. But on the whole they do not have the expertise to install the systems they devise, and they are dithering on the brink of moving into the market in force.

Price Waterhouse, the accountancy firm in hottest pursuit of Andersen, has been interested in the market since it began servicing large US government contracts earlier this decade. According to Mr Joseph Connor, new worldwide chairman of the firm: "Government work is profitable work. This is where we made the discovery."

With proper management, the profits are substantial, he says. It also matches demand from the firm's clients, who want a system rather than a report. Most client dissatisfaction stems from the lack of ability to implement advice, says Mr Connor.

Another accountancy/consultancy major on the verge of the market, Coopers & Lybrand, has yet to jump. "We decided years ago to be business consultants, broken down into industry groups. IT has fitted into our industry structure – we haven't gone for bulk delivery," says Mr David Miller, its head of UK consultancy.

Firms like Coopers provide the full service by linking up with software houses on particular jobs. But if and when the market decides that such joint ventures are second best to the likes of Andersen, a structural shift among the providers of the range of systems work will be on the way.

"We still have the option open to us whether we do it," says Mr Miller. Andersen disagrees: it takes years of training and great management skill to run a large systems operation, it says.

Ernst & Whinney, which has learnt these skills in the US, is now busy transferring its knowledge to Europe. This summer the head of its US systems consulting business moved to London with the brief of building a systems group across the Continent. With a small team, he will act as a catalyst for the firm, introducing methodologies and training developed in the US, says Mr Gareth Jones, Ernst's top general consultant in London.

Vernon Ellis

Andrew Warren

David Miller

Andersen, meanwhile, is developing fast into other technology-related markets. Vernon Ellis, head of its consultancy in the UK, makes much of the fact that his firm no longer offers consultancy jobs – it offers total solutions. He means what he says: Andersen has moved into facilities management, sensing that clients want to hand over their systems headaches for good.

Earlier this year Andersen took on its first major job, running the computer operations of DRG, a packaging group. It acquired around 80 extra staff in the process. It is now negotiating with Merrill Lynch to operate the bank's entire data processing activities in London, covering its European region. Such mega-contracts will change the shape of Andersen's business fast.

The big question hanging over the IT market is its long-term profitability. Margins are healthy, and likely to remain so in the short term as companies catch up with advances in technology. An eventual slow-down in demand could change things.

There is also a wild card in the hands of computer manufacturers like IBM. Margins for manufacturing hardware do not come close to those for applying it. If the manufacturers arrive in force (and they have already wielded large teams on US government contracts), the market will change dramatically. Even the dominance of an Andersen would evaporate.

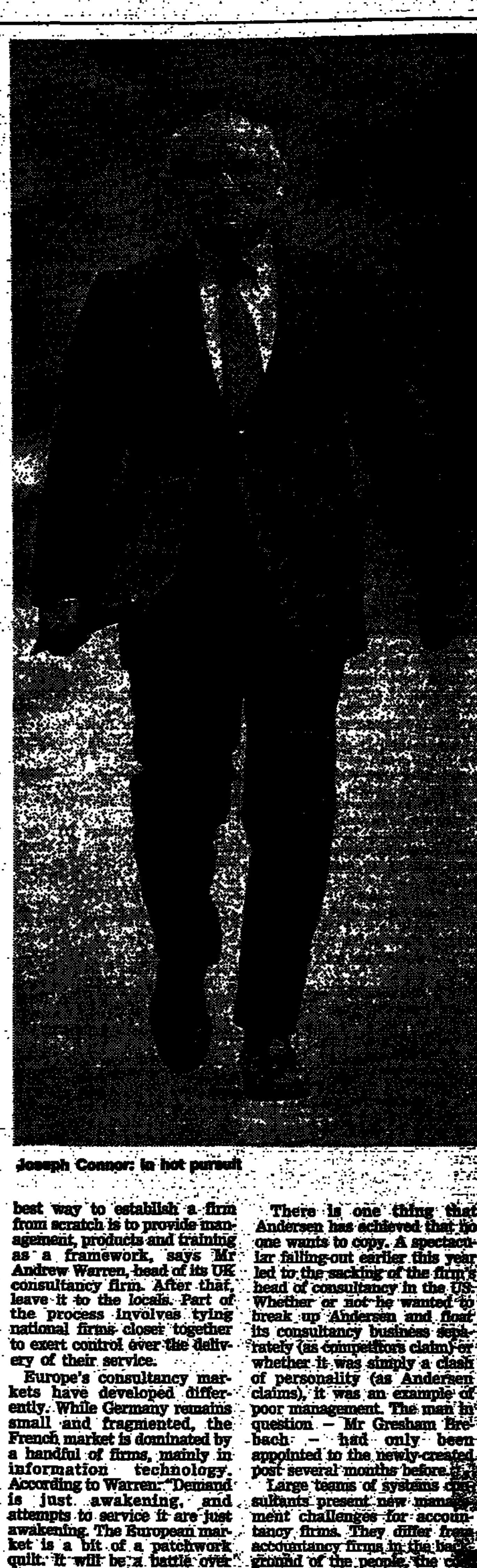
Another economic trap in the systems market is that it involves taking on large, fixed-price contracts. Get the price wrong, or fail to deliver on time, and the costs for the consultant can be enormous.

"It will take large resources, and a lot of financial muscle, to keep a stake in the IT market," says Ellis.

All of this should not disguise the growth and profitability of other consultancy markets, of course. Most firms can point to a string of services which are carrying them forward – like Mr David Morris, in charge of Peat Marwick McLintock's UK consultants, who is focusing much of his energy on human resource consulting.

A second success of Andersen's, which other firms are thinking of copying, is the way it has built a European consultancy business. The time-honoured Andersen way to build international operations has been to put a team of experts into a country and then plough resources into training locals in Andersen techniques and methodologies. The international contingent withdraws as the local partners, generally young go-getters in the Andersen mould, develop an appetite to run their own practice. Andersen now has 4,500 consultants in Europe.

One firm following this route is Deloitte Haskins & Sells. The best way to establish a firm from scratch is to provide management, products and training as a framework, says Mr Andrew Warren, head of its UK consultancy firm. After that, leave it to the locals. Part of the process involves tying national firms closer together to exert control over the delivery of their service.



Joseph Connor: in hot pursuit

Europe's consultancy markets have developed differently. While Germany remains small and fragmented, the French market is dominated by a handful of firms, mainly in information technology. According to Warren: "Demand is just awakening, and attempts to service it are just awakening. The European market is a bit of a patchwork quilt. It will be a battle over the next few years. It will be one of the things that sorts the Big Eight [accountancy firms] out."

There is one thing that Andersen has achieved that no one wants to copy. A spectacular falling-out earlier this year led to the sacking of the firm's head of consultancy in the US. Whether or not he wanted to break up Andersen and float its consultancy business separately (as competitors claim) or whether it was simply a clash of personality (as Andersen claims), it was an example of poor management. The man in question – Mr Gresham Brebach – had only been appointed to the newly-created post several months before.

Large teams of systems consultants present new management challenges for accountancy firms. They differ from accountancy firms in the background of the people, the cost structure, the time cycle of projects and what Mr Miller of Coopers calls the "satisfaction pattern" for the staff.

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NATIONAL HEALTH SERVICE

Opportunities for adapting ideas

It cannot be assumed that decisions are being made on the basis of the most recent information

THE NATIONAL Health Service, Britain's biggest employer and one of the largest devourers of public funds, is a rich and growing area for management consultancy.

During the 1980s the service's entire management structure has shifted, under the reforms arising from the Griffiths Report, from committee-based, consensus management towards general management.

This, combined with the introduction of new information systems and a drive towards greater efficiency, has led most health authorities — and the central management of the NHS itself — to look for outside assistance in the implementation of change.

The review of the NHS currently being conducted by the Government is certain to include proposals for further improvements in efficiency and the quality of management.

This will generate new opportunities for consultants to advise on the introduction of specialist systems and help adapt ideas from the commercial sector to the health care environment.

A number of leading management consultants, such as Arthur Young and Arthur Andersen, have teams of staff which specialise in working with health authorities.

Much of the most valuable recent work of consultants has involved helping health authorities identify and meet information needs. In an organisation as vast and complex as the NHS, it can seldom be assumed that decisions are being made on the basis of the most recent and complete information.

This can have basic and serious consequences for efficiency — such as health authorities having no accurate basis for costing any particular patient's treatment.

A sound means of determining such costs will become essential if, as is likely, the Government decides to promote greater trading of services between health authorities and the public and private sectors.

Attempts to improve the quality and flow of information in the NHS began in the early 1980s with the establishment of the Steering Group on Health Services Information under Mrs Edith Korner.

The Korner Committee's reports produced wide-ranging recommendations for linking the better use of information with more efficient patient care, and many health authorities engaged management consultants to help put the recommendations into effect and make more extensive use of information technology.

South West Thames Regional Health Authority, for example, which serves a region of 3m people from the south of London to the Channel, has been collaborating with Arthur Andersen to introduce a major computerised information system based on Korner principles. All 18 of the region's district health authorities have been successfully linked into the new system.

Arthur Andersen has drawn on its experience of helping health authorities introduce new information systems to produce, with the Institute of Health Services Management, "Information for Action" — a book designed to give health service managers a clearer idea of what is involved in making better choices from the huge arrays of information potentially available to them.

Mr Bill Lattimer, a partner in Arthur Andersen's health care practice who wrote the book with Dr Alastair Mason, medical officer of the South Western Regional Health Authority, says he believes health service managers are becoming increasingly frustrated with the "gap between promise and reality" in information use.

The authors applaud the work of the Korner Committee in establishing standards for the collection of data in health authorities, but say much more needs to be done to enable this information to be used effectively.

"Health service management is one of the most challenging tasks there is, but very few managers feel that they have the information they need to resolve the conflicting demands on NHS resources," Mr Lattimer says.

Three years ago the National Health Service Training Authority, which is responsible for developing training provision in the service, set up its own in-house consultancy — Change Management Consultants.

A team of senior staff has been recruited from various NHS disciplines to offer health authorities assistance in planning and introducing better ways of managing health care.

In recent months, the authority has been examining whether the delivery of health care within the NHS could be improved if health authorities were modelled more closely on boards of directors in commercial organisations.

A report produced by the authority and written by Dr Chris Ham of the King's Fund Institute, a health care think-tank, concludes that a move to a more private-sector type of approach might make the NHS more efficient, although possibly at the expense of reducing local accountability and public participation.

But it adds that many health authorities already compare favourably with industrial and commercial organisations in the way they organise their business, with many having already imported good practices from boards of directors.

It is not the case, the report says, that boards of directors are uniformly successful and health authorities uniformly unsuccessful in their styles of doing business.

Management consultants Kingsley Lord have worked with the NHS management board — the service's Whitehall-based central management — on the introduction of a system of individual performance review and performance-related pay for senior NHS managers in the regions and districts.

The system, which is regarded by senior MHS management as a vital element in improving motivation and sharpening the objectives of their managers, offers senior staff additions to their basic pay of up to 20 per cent over five years if they meet performance targets. The scheme is being extended through the structure to other grades of manager.

Future opportunities for management consultants in the NHS will include some of the most delicate and demanding work, but also potentially the most rewarding. Finding ways of involving consultants and other medical staff more fully in the managerial process is emerging as one of the key themes for the NHS during the next few years,

Doctors, through their clinical decisions, commit very large proportions of the NHS' resources. Professional clinical freedom and the requirement for sound managerial and financial controls do not always sit easily together. But successful experiments are running in some hospitals, and this is an area which the Government is keen to develop.

Alan Pike

GOVERNMENT

Efficiency proposals make for more work

THE PUBLIC sector is a growing market for consultants. As the demand for consultancy increases, so more and more consultants — and certainly all the big firms — set up specialist units to tender for the business.

Whitehall has turned increasingly to consultants to provide expertise in specialist areas which it cannot satisfy from its internal resources. Much of this demand stems from the pressure at the very top for more efficiency in the civil service.

This is particularly so in the executive work of the public sector, which frequently involves the services to the public, whether it be social security or driving licences.

The adoption by Mrs Thatcher last February of her Efficiency Unit's proposals that much of this work be hived off into agencies, run by chief executives, can only boost the call on consultants. Increasingly, they will be asked to run their agencies in a manner as close as possible to that of the private sector.

In time, it will be within their power to decide on matters like the appointment of consultants, rather than referring to the administrators in Whitehall.

The first agency to be set up was the Vehicle Inspectorate. Others will follow shortly. Within a few years, 70 to 80 per cent of civil service work could be organised on this basis.

Although the Government has been intent on cutting back the public sector, a number of new quango bodies have been set up to carry out new policy, albeit on the basis of a limited — but unspecified — life. The urban development corporations, for instance, have proliferated. In comparison with the scale of the task allotted to them, they have tight budgets and a small staff.

Consultants were commissioned to draw up initial land use plans. The plans have been improved on, with the backing of consultants' studies, and frequently they act as intermediaries for the corporations in negotiations with the private sector.

Estimates of the work originating from the public sector are inevitably not much more than that. The Management Consultants' Association put the figure at £34m last year for its members, which comprise about 60 per cent of the industry. But that excludes some of the biggest consultants who have specialised in the public sector, like PA.

The public sector includes local government, nationalised industries, central government, the National Health Service, as well as newer bodies such as the urban development corporations, and numerous other institutions which have public funding.

Major clients of the consultancy firms include the big spending departments — the Ministry of Defence, the new separate departments of Health and Social Security, Education. But the public sector also throws up a huge range of organisations with smaller budgets that are equally concerned with demonstrating that they are giving value for money.

To the private sector, Whitehall can still appear complex. Many companies commission consultants to conduct an application to Whitehall, for grant money, for instance, or to be designated as an official supplier to the public sector. As management is more and more concerned with its core business, so it lacks the time and expertise to conduct such negotiations for itself.

Competition among firms to win business from the public sector is intense. However opaque Whitehall might seem to the outsider, the public sector is more open than its private counterpart. Departments are required to go out to tender for consultancy, and some MPs keep an eye on where the business is going.

The work therefore tends to be spread around the firms, although clearly some have expertise in particular fields that is valued by the public sector. Some firms like to recruit from the civil service to gain that insight into the way Whitehall works, or from the health service, or local government.

It pays for firms to hold on to their good people. Although the private sector complains that people are always being moved around in the public sector, importance is attached by the public sector to a business relationship which has continuity.

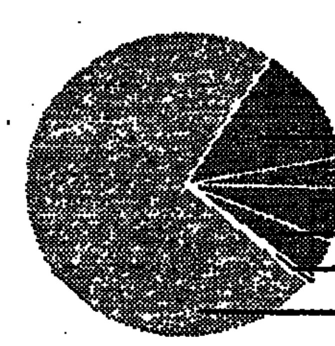
Consultants like sometimes to be awarded contracts that involve a range of specialisms so that they can give staff experience of dealing with the public sector. This can give them an edge in competing for business.

So long as the Government expects the public sector to demonstrate that it can be as efficient as companies there will be an important role for consultants.

The successful in this area, however, will be those who recognise that they need to pitch their expertise with the particular requirements of the varied demands of the public sector in mind.

Hazel Duffy

Fees earned in the public sector

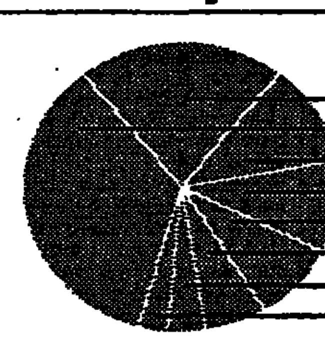


Analysis of fees earned in the UK between the public and private sectors

	1987	1986
PUBLIC SECTOR		
Central government	34	27
Local government/	9	19
Regional authorities,health,water etc.	15	
Nationalised industries	10	10
International agencies	3	0
PRIVATE SECTOR	194	145
	£265m	£201m

Source: Management Consultancies Association

Fees earned by services



Analysis of fees earned in the UK over the principal fields in which member firms are engaged:

	1987	1986
Finance and administration	57	44
Information technology	92	69
Manufacturing management & technology	30	19
Corporate strategy & organisation development	28	23
Personnel management & training	23	12
Marketing sales & distribution	17	15
Executive selection	10	10
Economic & environmental studies	8	9
	£265m	£201m

Source: Management Consultancies Association

Barbara Casassus on consultancy in France

Preparing to change

CONSEIL EN management, the multi-lingual label often given to management consulting in France, appears in an upbeat mood as it prepares for the single European market in 1992.

Times became tough for some on the traditional side of the business after the previous socialist government came to power in 1981. This was partly because plans to nationalise major French companies wiped out a large chunk of business for a while.

Demand recovered when the centre-right government was elected in 1986, spurred by the return of some companies to the private sector, price decontrol and financial deregulation (initiated by the socialists, incidentally).

Consulting firms are now unperturbed by the socialists' comeback, as the imperatives of the single market take precedence over many other considerations in economic policy.

Management consultants, like professionals in all other sectors, face challenges and threats as the deadline draws closer for Europe's internal barriers to disappear. They agree that competition will become fiercer and that they need to internationalise just as much as their clients do. But that is where the similarities end, as each prepares for the profound change ahead in its own way.

Arthur Andersen, the market leader in France with some 750 professionals divided equally between its computer services and management consulting operations, believes firms must be able to provide complete solutions to client problems.

Alain Legendre, the firm's senior partner, says the computer service component of the business may grow more quickly in France than management consulting because that is where market demand could be stronger. But he believes the two professions are converging, as companies and organisations seek package deals.

Consulting in its widest sense is distinguished in France by the size and maturity of its computer service sector, with a number of such firms creating, buying or forming tie-ups with management consultants.

Another feature is that small – and medium-sized enterprises are not shut off from advice by limits to their financial resources. The government has subsidised consultancy fees for smaller concerns for some time, and recently increased the amount to FFr400,000 (£37,500) for studies by approved consultants.

One of the conditions is that the company does not reduce its labour force for a specified period. Most of the companies taking up the government offer are dynamic, in good health and looking for export markets, according to Serge Audouin, head of Touche Ross Conseil. And most of the business goes to French firms, said Philippe Giraud, Deputy Managing Director of Bossard, the largest French firm of management consultants.

This is because the techniques they use are more appropriate, he adds.

Multi-national firms believe that their solid international networks give them an edge over their competitors in helping French companies organise for the European era.

Boston Consulting Group, the pioneer of strategy advice with 15 years' experience in France, puts together multi-national teams to handle Europe-wide projects. "More than half our studies now cover three or four countries, regardless of the sector," said Rene Abate, senior vice-president at the Paris office.

Firms are expanding overseas, but still have some way to go

French firms are expanding overseas, but still have some way to go. Bossard, for example, has wholly-owned operations in Italy, Spain and Switzerland, and associates in West Germany, Norway, Holland, Japan and the United States.

As elsewhere, multi-national firms dominate strategy advice in France, and the Big Eight audit firms hold a sizeable share of the management and organisation business.

Not that the Big Eight can be seen to be management consultants in the strict meaning of the term. Audit, legal and management advisory activities have to be run by separate entities, and companies are compelled to keep their auditors for six years.

This means that although there can be a symbiosis between the expertise of an auditor and a management consultant, the commercial approach is quite different, Michel Navarra, a partner of Peat Marwick Consultants, points out.

"The separation came from an old battle with French accounting firms, which didn't want American and British auditors to provide management advice," another consultant explains.

But the rule makes little difference to operating practices, provided that internal communications systems function efficiently.

One difference comes from an anomaly in the firms' public image. The names behind the world reputation of the Big Eight auditors are sometimes attached to their management consulting rather than audit firms. This can leave the latter with names totally unconnected and relatively unknown.

Few seem to doubt that the future is promising for management consultants here, but what the main source of growth will be is more open to question. For strategy specialists, demand is coming from companies in any sector that want to be "meaner and leaner", says Zafer Achi, partner of McKinsey.

Those companies are generally successful with a specific problem to solve. "They don't care about fashionable management concepts."

As a result, he says, some French companies will now openly admit they use management consultants. Ten years ago, it was a sign of financial difficulty and was therefore to be hidden. Today, it indicates a company is thinking carefully about where it is going, Mr Achi explains.

In the area of management and organisation, consultants say demand for their services will continue to grow from banks, with insurance companies, the public sector – centralised and decentralised – and services such as retailing becoming bigger takers.

Manufacturers are expected to continue acquiring just-in-time procurement techniques and global quality concepts. Specialisation is also expected to increase.

Japanese techniques to motivate and mobilise staff, but adapted to the French culture, are often requested, adds Bossard's Mr Giraud, who is also vice-president of Syntec, the professional association for management consultants.

He believes the industry is now growing at about 10 per cent a year and, in descending order of importance, serves companies that are developing, converting or trying to pull themselves out of difficulty.

Another way of measuring the potential of management consulting in France is the number of professionals working in the sector.

Peat Marwick gives a rough estimate of only 2,000. "Even if our calculations are 100 per cent wrong, that still only makes 4,000," Mr Navarra says.

NETHERLANDS

Focus on personnel

THE NETHERLANDS, along with the US, appears to be in the vanguard of the "New Age" or "transformation" management movement, although the movement is also gaining strength elsewhere in Europe and in Australia. Catering to companies in the New Age, with its emphasis on creativity and individuality, is a tiny but growing breed of consultants.

One of these is Mr Eric van Praag, a psychologist and former manager of a psychiatric hospital. Now he is a management consultant serving mainly small businesses and municipal departments.

Recently he published his first book, Management without Control, in which he argues that managers must avoid trying to control everything because it stifles creativity and productivity. Instead, he says, they should be on top of things so that creative processes can take place.

"Life is a river," he explains, sounding every bit the guru that many consider him. "You are free to resist the stream or flow with it. If you surrender . . . the adventurous side will come out."

"Transformation" is a vague but intriguing concept that describes society's new concern with quality, flexibility and the environment. In business it is reflected in special attention to personnel, among other things.

Flatter management structures – a hallmark of New Age thinking – require all employees to participate more in strategic planning and decision-making. Employees simply need to think more because computers do the rote work.

The idea that people are important in any business is gaining ground. Mr M.P. Muijser, secretary of the Netherlands' Council for Organisation-advice Bureaux, the leading association for small management consultants, believes human resources management will replace information technology as management consultants' most rapidly-growing business.

"Automation and changes in society have led to a growing conviction that it is very important to devote attention to having the right man or woman in the right place," he explains. "As the population ages, personnel will be scarcer and it will be increasingly important to look ahead three to five years and see what kind of know-how will be needed."

The single European market of 1992 also is focusing more attention on personnel policy because cultural characteristics will play a key role in the expected wave of cross-border mergers.

Prof Geert Hofstede of the University of Limburg was employed by IBM to evaluate international differences in work-related values. Since then he has founded an institute specialising in the cultural dimension of international business ventures.

In his book, Culture's Consequences, he contends that various cultures respond differently to corporate power, thus some nationalities get along better in business ventures than others:

"French and other Latin managers, unless they are exceptionally culturally sensitive, tend to have problems in Anglo or Nordic countries," he writes. "American managers usually find it difficult to collaborate wholeheartedly in the 'industrial democracy' process of countries like Sweden, Germany or even the Netherlands."

Dutch management consultants generally are optimistic that the crumbling of barriers in Europe will lead to new opportunities for their profession. The big international firms stand to gain the most because they have the technical depth and geographical breadth, according to Mr Hans van Doesburg of Booz-Allen & Hamilton.

"A firm must provide specialty as well as integrated skills where increasingly complex problems are concerned," he notes. In the pharmaceuticals industry, where consolidation is advancing apace, European companies need to know about the technological as well as the geographical ramifications of possible mergers.

The Netherlands claims to have more management consultants per head than any country in the world. Exact figures aren't available but it appears that there are about 2,000 consultants in 50 firms among a population of 14.6m.

This density is ascribed to the disproportionately large number of international companies and Dutch willingness to listen to professional advice. In Europe, the Netherlands is believed to rank fourth behind France, the UK and West Germany with annual turnover of about Fl400m (£113).

There are two major groups – the small, specialised, domestic-oriented firms and the big, integrated, international ones. The large firms are heavily dominated by American organisations such as Booz-Allen & Hamilton, and McKinsey.

UK firms have yet to make much of an inroad into the Netherlands with the notable exception of PA Technology.

To brace for 1992 the smaller firms are joining forces, often with big international accountancy firms. Amsterdam is emerging as one of the world's leading centres for international taxation expertise and Verlinden Wezendem, a small Dutch consulting firm, has linked up with Ernst & Whinney, for example.

Even for those who do not link arms with bigger colleagues there will still be promising niches of technical and legal complexity. The environment, among other areas, is certain to continue as a growth market.

Many people believe medium-sized companies rather than large ones will need the most help in adjusting to an integrated Europe. "That's where the organisational-advice bureaux are needed," Mr Muijser says.

Laura Raun

David Goodhart on developments in West Germany

Lack of strong tradition

AS IN most European countries, management consultancy in West Germany is dominated by the big, international, US firms. But unlike most other European countries, West Germany had a flawed attempt at establishing its own industry — in the mid-1960s.

Dr Tom Sommerlatte, managing director of Arthur D. Little in Wiesbaden, recalls being part of a group of a few dozen bright young graduates who were sent by the German government to study the methods of US consultants.

However, when they returned they disappeared into ivory towers — often attached to universities — where they generally worked for government agencies and did not stand a chance against the entrepreneurial US consultants who were already starting to colonise Germany. The only successful survivor from that attempt to nurture a domestic industry was Roland Berger.

This is hardly a sufficient explanation of why four out of the top five German consultants are American-owned — McKinsey (easily the largest in the country), Boston Consulting Group, Arthur D. Little and Booz Allen.

The broader answer probably lies in the general lack of a strong consulting tradition in Europe, which in turn derives from the convention of greater corporate secrecy outside the Anglo-Saxon and stock market-dominated countries.

In the case of Germany it is probably fair to add that the lack of big consultants is also a particular case of the general under-development of service industries and especially "people-centred" service industries.

In any case, by the time big German companies started to open up to consultants in the 1950s and 1960s the US consultants not only had a head start in the theory and practice of consulting, many of them were also already in Germany.

McKinsey was the first to make its mark, and has not given up its lead position in the 25 years since. It had the good sense to establish itself first among the German bankers, often key figures on company boards.

It also specialised in the highly-structured consultancy services that are popular in Germany. As Mr Rudi Euler, managing partner of Booz Allen in Dusseldorf, says: "German companies tend to be less end-result and more process oriented; you tend to have much more of a continuing debate with a client in Germany. So companies prefer the more methodical consulting approach."

All of the big five in Germany (the four US firms plus Roland Berger) provide the standard consulting services: organisational, strategic, cost-cutting and so on. But there is, at least by reputation, some informal specialisation in products and industrial sectors, mainly in line with their international strengths.

McKinsey, for example, tends to specialise in cost-cutting and in the financial services sector. Boston Consulting Group is primarily strategic and Arthur D. Little's strength lies in technology.

All of them — except Berger — concentrate exclusively on the top 200 to 300 German companies and, according to Tom Sommerlatte, it would be very rare to accept a project with a fee of less than $100,000. The average project fee is closer to $1m and margins are said to be anything between 20 and 40 per cent.

And the market is continuing to grow strongly, at 15 to 20 per cent a year, according to most estimates — boosted by 1992 EC harmonisation and the debate about the rising cost of doing business in Germany.

According to Mr Dieter Heuskel of Boston Consulting Group, if you are not increasing income at more than 20 per cent a year you are losing market share.

The 1992 harmonisation is as much of a bonanza for consultants in Germany as it is elsewhere. Both Boston Consulting Group and Booz Allen say that 1992-related work now represents more than one-third of their total.

Smaller companies also worry about 1992 and there has been a timely expansion of smaller consultancies, almost exclusively German, to look after their concerns. Dr Alfred Prommer, who set up Prommer Consultants in Munich in 1982, after several years as a Siemens executive, believes he is part of a quiet but widespread movement of executives who are retiring early and starting up new consultancies employing fewer than 20 people.

Prommer Consultants specialises in micro-electronics, and has recently established an association of smaller consultants in Germany, France and the UK, called Technical Investment Partners.

Dr Prommer says: "There has been a big expansion of small groups taking advantage of the much greater tendency for big firms to contract out specialist tasks. I employ only 15 people but even I use outside consultants on some jobs."

PROFILE: ROLAND BERGER

Largest of home grown

THE MISCONCEPTION that management consultancy is handicapped in West Germany because of the interventionist banks is easily refuted by looking at the country's largest domestically-owned consultant — Roland Berger.

The Munich-based group has not only thrived for the past 21 years without any noticeable competition from banks, according to its 50-year-old founder Mr Roland Berger, but it has now been taken over by the grandest of all German banks, Deutsche Bank — an admission that the bank's own consultancy arrangements were inadequate.

Roland Berger is now probably the second largest consultancy in Germany, after McKinsey, with more than 200 professional staff and a turnover this year expected to be more than Dm120m (£38m). In the first half of 1988 fee income was up 27 per cent and profits by a similar percentage, according to Mr Berger.

Deutsche Bank paid a little less than Dm100m for its 75 per cent stake, although Mr Berger retains a majority of the voting shares to ensure the group's professional independence. That injection of capital has ensured that Berger can continue to compete with the US multinationals that dominate the German scene and, more important, deepen its internationalisation which to date has been superficial.

However, the Deutsche Bank link has not been without its difficulties. A number of senior staff resigned after the deal was struck and the group has lost a few clients in the banking sector who did not like the idea of a competitor's subsidiary examining them.

Over-dependence on Roland Berger himself could be a worry

And, as one rival commented: "Berger used to be very high profile but since the deal everything has gone quiet."

That may be a good sign, of course. There is certainly plenty to do. In most respects Roland Berger is a typical top management consultancy offering general strategic services, cost-reduction programmes, and special technology support (it has a co-operation agreement with Stanford Research Institute).

But following the Deutsche Bank takeover it has now, unusually for a big consultant, moved into the market for small and medium-sized firms and is currently running about 120 projects in the Dm20,000-25,000 price range.

It has also maintained a presence in the Eastern bloc which, although currently unexciting, may pay dividends in the future. The group is organising a four-day seminar in Leningrad at the end of September on the machine tool industry. "People in the East remain a bit sceptical about paying only for ideas; it's like consultancy in Western Europe 30 years ago," Mr Berger says.

The group is now established in Italy (like Deutsche Bank), Spain and Brazil and has small offices in New York and London. The latter is currently too competitive, Mr Berger says, so the next thrust will be into France.

But West Germany will remain the group's heartland for the foreseeable future

Berger, unlike some consultants, likes to recruit more from industry than from business schools, but none the less has established a reputation as the "generalist" of the German scene. One rival also complains that the group is not known for its original thinking.

That is hardly a criticism in the incestuous world of management consultancy. Bigger worries for the future are the company's over-dependence on Mr Berger himself and the development of the Deutsche Bank link.

If the group becomes just a consulting department of the bank it will lose its edge and the "culture" that is supposed to lie at the heart of a successful consultancy, but if it retains complete freedom there seems little point in Deutsche Bank taking it over.

David Goodhart

THE US

Some tough rows to hoe

STANDING AT a blackboard at his Haddon Heights, New Jersey, headquarters, Dr D. R. Francis Narin, president of CHI Research/Computer Horizons Inc, draws a chart that looks like the Matterhorn.

"This is typical of a company's performance," he says. "Profits go up spectacularly to their peak and continue until they suffer a fatal drop-off. The highest profitability is just before the decline."

Narin's technology consultancy profiles companies and their technological standing through research cited in patent application. Having long worked for the government to measure the country's scientific progress, the company is now turning to the private sector.

It can provide clients with four types of information: potential merger and acquisitions partners, competitive assessments, cross-licensing possibilities and technical domain assessments.

"Mergers seldom occur in areas where companies are already active," Narin contends, "because executives can't admit they don't know their real competitors or natural partners. They need to check who is citing their own patents, to see where the next wave will come from. Those are the ones they have to look out for."

'Without the umbrella of a large firm, they will get wet'

Narin's consulting practice is doubling every six months, as companies realise that financial data are hardly sufficient for picking other companies to work with or compatible areas to expand their existing business.

He is a successful practitioner of what James H. Kennedy, editor and publisher of Fitzwilliam, New Hampshire-based Consultants News, calls "nichemanship". Small consultants must find specialities to succeed as the number of consultants is growing faster than the appetite of clients.

Management consulting, according to Kennedy, is expanding at only a 15 per cent annual rate, with work abroad growing at twice the domestic rate. At the same time, the number of consultancies is also growing. Practitioners like Narin are supplementing government contracts with private work, while the paring of middle management by large corporations encourages displaced managers to hang out a consultant's sign.

They have a tough row to hoe. A Consultants News survey found that "the big are getting bigger and snaring a larger proportion of the total market." In the past two years, the American revenue of the 40 largest consultants was up 45 per cent, from $3.6bn to $5.2bn out of a total market reckoned to be about $10bn.

The largest consultancies, half of which are part of international accounting firms, are making their own contribution to the clutter. In July Arthur Andersen, by far the largest firm with 1987 consulting revenues of $838m, dismissed Gresham Brebach as head of its worldwide consulting practice for allegedly plotting to take clients for a new business.

Arthur Young, the fifteenth largest consultant, with $204m revenues, sued five dismissed partners to prevent their taking clients and personnel.

Kennedy feels that many of those who defect "will find that without the umbrella of a large firm, they will get wet. Without successfully practising nichemanship, it is more and more difficult for solo practitioners to achieve name recognition."

Still, they have a role in providing smaller companies with consulting. Arthur Lieberskind, president of Baltimore-based Howard Way, wants to remain an individual practitioner in his field of warehouse and distribution consulting.

Having once worked for a larger firm, he prefers being on his own and feels he offers clients the advantage of long experience in applying techniques to the work place and learning from clients, something larger consultants lack by putting in young people.

Lieberskind practises nichemanship by publishing a monthly newsletter that helps get his name around. He also relies on word of mouth from previous clients and gets specific work from the day-long seminars he gives about 30 times a year.

On December 5 and 6, he will give his first seminars in the Connaught Rooms in London, having already done them in Germany and Japan. He has found that American techniques and approaches still lead the world.

His seminars consist of "50 per cent technology and frankly 50 per cent distillation of common sense." As with many consultants, technology comes in the form of software increasingly needed to function in the modern world.

For the largest consultants with multinational clients, information-systems consulting is "exploding, with 40 per cent annual growth compared with only 17-18 per cent for total firm revenues," according to Clinton A. Alston of Ernst & Whinney, the accounting firm with a $376m management consulting practice, the eighth largest.

Lieberskind developed Warehouse Master II, a warehousing software package for IBM compatible computers, suitable for small personal computers to the larger 386 system, reflecting the breadth of his clientele.

Developed over a four-year period, the software actively keeps track of products and arrival dates — rather than information provided when inventory is tracked merely as a by-product of accountants' needs.

The commonsense part of Lieberskind's advice covers subjects such as his adaptation of Pareto's Law that 20 per cent of a country's population controls 80 per cent of its wealth. In warehousing, 20 per cent of the product generates 80 per cent of the traffic. That part should be the most accessible.

Susan D. Whelan, who sponsors two of Lieberskind's seminars a year as manager of management development seminars at Temple University's Centre for Professional Development, finds his subject currently "hot." She attributes this to the weak dollar, which is encouraging exports and pushing companies to the limits of their capacities.

Frank Lipsius

Michael Skapinker provides a guide for first-time users

How to get the most out of your consultants

WHEN SHOULD companies bring the management consultants in? When they have a problem they need solving.

The answer sounds obvious, but some companies turn to consultants simply because business is going badly rather than because they have specific needs that have to be addressed.

A decent firm of consultants will not begin work until they have helped you, the client, define your needs. Even if you have thought about the issues you want the consultants to deal with, there is no harm in asking them what they think the nature of your problem is before they start.

Of course, that definition might change as the work progresses. However, you should insist on strict limits to how long the consultant spends, at your expense, investigating the nature of your problem before getting down to work. James Morgan of Arthur Young says that experienced users of consultancy services are no longer prepared to pay large sums to enable consultants to learn about their business and their industry.

On the other hand, consultants might be prepared to offer a free preliminary diagnosis before you agree to take them on. That preliminary diagnosis might help you to decide whether the consultant in question really is the one for you.

You should also look for a consultant with proven expertise in the area in which you are interested. Ask for details of the previous work they have done.

Always insist on meeting the consultants who will actually carry out the work, rather than those who are simply trying to sell you the service. It is also important that those members of your own staff who are going to implement the work have a chance to meet the consultant before any agreements are signed.

For example, if you have brought consultants in to help design a new remuneration policy, the opinion of your senior personnel managers will be an important consideration in deciding whom to choose.

Involving a wider range of senior managers in choosing the consultants can also help to ensure the ultimate success of the project. Some managers might feel that the consultants are being brought in to undermine their own position. Their resistance is likely to be diminished if they feel they have had a hand in selecting the consultant.

Discuss with the consultants what the ultimate destination of the project should be and what the various landmarks will be along the way. Discuss how success will be measured.

Talk to them too about what access they will need to various members of your staff. Attempt to ensure that the people in your organisation whom the consultants want to see understand the nature of the project and what is expected of them.

You should settle the issue, too, of whether the consultants will be allowed to work for your competitors.

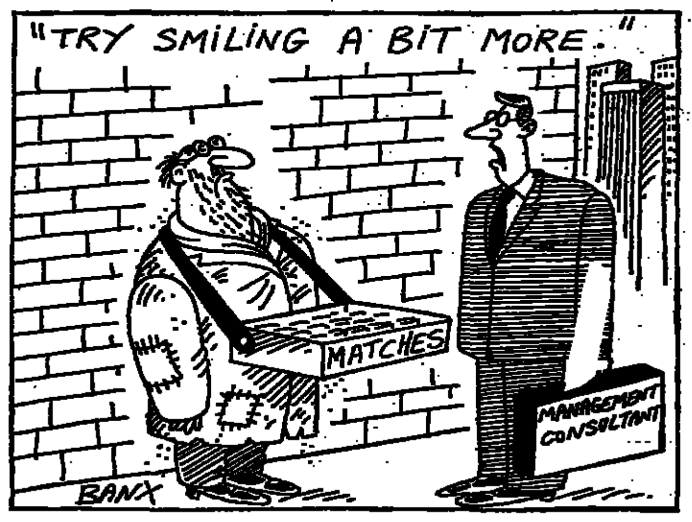
It is important, of course, to establish the basis of payment in advance. The vast majority of consultants will resist the idea that the level of their fee should be dependent on whether or not they achieve the goals established at the outset.

The Management Consultancies Association's code of professional conduct specifically prohibits payment based on results and most will say that they regard such agreements as unprofessional.

However, at least one firm, Kinsley Lord, offers payment based on results – and allows the client to decide how much they want to pay. Together with the client, Kinsley Lord establishes three levels of fee: standard, minimum or maximum.

The minimum and maximum fees are usually 15 per cent above and below the standard fee. The consultants and the client establish criteria by which the success or failure of the project are to be judged.

When the consultants leave, the client decides which fee to pay. Kinsley Lord claim that



the major benefit of their system is that it ensures that both parties have a common understanding of the goals of the consulting project.

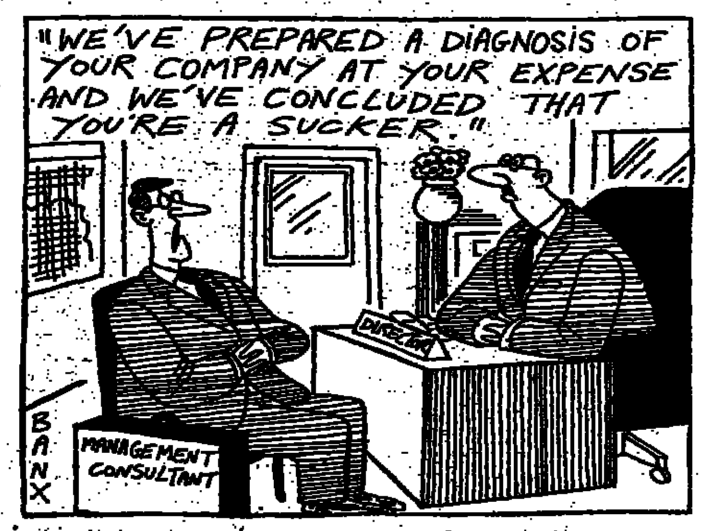
In a recent project, Kinsley Lord and a large public sector client established a set of criteria by which to judge the success of the project, which included the following:

- How good was the consultants' material? Was the client satisfied with their briefing documents, presentations and questionnaires?
- Did the consultants maintain contact with the client by holding regular progress meetings?
- Did the consultants adapt to the clients' changing needs during the course of the work?
- Was the work completed according to the agreed timetable?
- Was an action plan drawn up to enable the client to implement the consultants' proposals? Did it specify who should do what and with what resources?
- Were the managers who would have to implement the plan now committed to the consultants' recommendations?

Even if your consultants will not agree to be paid by results, Kinsley Lord's questions could help you evaluate the work done. The last two questions, which relate to the implementation of the consultants' proposals, have acquired added significance in recent years.

In the past, consultants were accused of drawing up a report and walking out of the door. Almost all consultants now say that they help the client implement the proposals.

It is important to discuss at the outset how the consultant proposes to go about doing this. In most cases, the consultant will help you to identify



those managers within your own organisation who can help to put the proposals into effect.

They might suggest, however, that outside expertise is needed, perhaps another consultancy with greater experience in installing computer systems, or running training programmes.

Be wary, however, of suggestions that that expertise should come from the same consultancy firm you called in in the first place.

All consultants want repeat business from you. Many will not admit it, of course, saying that their real goal is for your company to be able to manage without them. You should take them at their word.

RECRUITMENT

Competition is stiff but rewards are high

DR FAUSTUS would have approved of management consultancy. On the principle that if you are going to sell your soul, you may as well sell it for a lot, it appears to be the ideal career move for undergraduates.

It seems especially attractive when, as an undergraduate, you've been trying to live off less than £3,000 a year and the bank manager has stopped sending polite rude letters and started writing acerbic ones. Last year salaries ranged from a basic £14,000 to around £20,000, plus car, plus Bupa.

Of course, the consultancies themselves tend to stress other advantages of the job besides high remuneration. Management consultancy does provide a unique training, foreign travel and often considerable responsibility. It also provides graduates with a starting place on the "fast-track". Many trainee consultants go on to do MBAs.

The problem is that if consultancy is attractive, the news has got out. It is, at present, the most competitive recruitment market in the UK. There are thousands of applicants for but a few hundred places.

Competition is stiff not only for the undergraduates but for the consultancies themselves. They are searching for what they perceive to be an élite and the competition for that élite is fierce.

"An awful lot of man hours go into graduate recruitment," explains the recruitment manager at a leading strategy consultant. "This is extremely important. We have to have the right people with the right abilities and the right talent. There aren't many of them."

The process of preparing applications is, or at least should be, a time consuming process. Most undergraduates say that consultancies don't realise the effort taken up in preparation while still studying for final year exams. Sources of information include the literature provided by the companies. These often give a description of the sort of candidate they are looking for. Proven ability in quantitative and qualitative analysis, verbal and written presentation skills, and a rounded personality are often cited.

It is well worth giving some evidence of these attributes in the covering letter sent with the curriculum vitae. Both need careful preparation. Some consultancies receive as many as 4,000 applications, and much depends on initial impressions. Last year Bain and Company interviewed only 250 of the 1,500 students who applied.

"It's a somewhat arbitrary process," says Nick Prettejohn, partner in charge of graduate recruitment at Bain. "We do miss people, but in general we reach enough of the right sort of graduates."

Preparing for interviews can also be time-consuming. Recommended reading includes the Financial Times and works of recent economic gurus, such as Michael Porter or Tom Peters.

Information about what to expect at interview can be gleaned from presentations which often give a feel for the company's culture. Some are excellent, others long-winded. Last year Booz Allen and Hamilton's presentation at Cambridge lasted over two hours – one undergraduate commented that anybody asking a question at the end would have been lynched.

Presentations also give the consultants the chance of looking at the applicants. Although most companies say they look at most universities and disciplines, successful graduates are, for the most part, from Oxford or Cambridge. Bain says that 50 per cent of their intake last year was from Oxbridge. Women make up 40 per cent of successful applicants there.

The interviews themselves differ a great deal and partly depend on whether the company is a strategic consultant or accountancy-based. The former tend to more aggressive. The number of interviews also varies: some have a series of eight or more over a weekend, while others depend on a single interview over a couple of hours.

Interviewers will ask about personal histories as well as general questions about business, such as whether committees work and if it is better to spend money on research and development than advertising.

All companies seem to use case studies, covering anything from the record industry, to the Channel tunnel, the Welsh Development Agency, and how to market Woolworth. Some are more a test of knowledge than wit.

An average of between 30 and 40 per cent seems to reach final interviews from the first round. Incidently, McKinsey and Co has a reputation for writing the politest rejection letters.

Deciding between consultants, if you should be in the fortunate position of having the choice, is not easy. Some believe in learning on the job, others offer more structured environments. A number will finance MBA programmes, while many expect the recruit to move on after a couple of years. Often the most difficult decision is whether to go to a large company with an established name or a smaller one that's growing.

Paul Abrahams

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 5 1988

INSIDE

Deutsche widens Australian toe-hold

Deutsche Bank's toe-hold in the Australian investment banking market, has been strengthened with the purchase of a 50 per cent stake in Bain & Co, one of the country's largest brokerage and financial services groups. But Bain has been battered since the stock market crash and the West German bank may have to deal with serious problems of poor profitability and low morale. Page 25

Portugal drifts in the doldrums

The Portuguese stock market, once a hothouse of frenzied activity, is now stuck in the doldrums as local investors lick their wounds from last October's market collapse. A once-bustling government securities market has also plummeted as the state tries to raise low interest finance – but there are no takers. Diana Smith in Lisbon manages, however, to find some bright spots on the horizon. Page 48

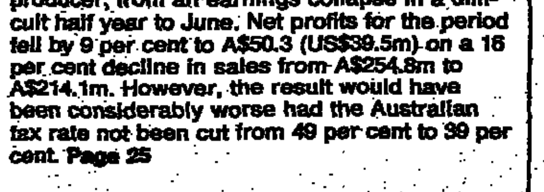
Sears finds the going hard

Changing fashion trends and poor weather held back a rise in profits for Sears, the UK retailing, betting and housebuilding group, which posted a 10 per cent gain in first-half pre-tax figures to £102m ($173m). Geoffrey Maitland Smith, chairman, (left) called the advance satisfactory given the costs of financing the acquisition of the Freemans mail order company in January but the group's betting business was hit by the poor summer weather which boosted the success of favourites in winning races. Page 26

Slippery slope for oil quotas

Saudi Arabia has run out of patience. For two years it has sat back and watched its Gulf neighbours, like Iraq, the United Arab Emirates and Kuwait, break Opec-agreed oil quotas. Now it has decided to defend its corner and has lifted production to 1.4m barrels a day above its quota level. Steven Butler looks at the impact the Saudi move will have on negotiations for a new production accord. Page 44

BTR Nylex steps up the pace



The strong acquisition pace of BTR Nylex is continuing. The Australia company, which is 62 per cent held by Britain's BTR industrial group, is paying NZ$935m (US$572m) for Feltrax International, a New Zealand carpets, textiles and furniture producer. Under the deal, Feltrax's 80 per cent stake in New Zealand Steel will be resold to a third party. Fletcher Challenge, New Zealand's biggest company, has already made public its interest, and analysts suggest Australian steelmaker Broken Hill Proprietary could also be in the running. Page 25

Santos gains from lower taxes

Currency gains and lower tax payments saved Santos, Australia's largest onshore petroleum producer, from an earnings collapse in a difficult half year to June. Net profits for the period fell by 9 per cent to A$50.3 (US$39.5m) on a 16 per cent decline in sales from A$254.8m to A$214.1m. However, the result would have been considerably worse had the Australian tax rate not been cut from 49 per cent to 39 per cent. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

LONDON (Pence)

Rises							
Bee Circle	492	+	11	Sun Life	£10⅜	+	⅜
[illegible]	550	+	22	Tyndall (W.A.)	135	+	3
Christies Int.	590	+	18	[illegible]	134	+	7
Dewhurst	216	+	5	Falls			
Densitron	66	+	7	Acatos & H.	285	−	25
Enterprise Oil	642½	+	4½	Allied-Lyons	458½	−	8½
Finlay (James)	119	+	4	Allied Textile	332	−	7
Hawker Sid.	514	+	7	Domino Print.	227	−	63
Highland Dist.	128	+	7	Grand Met.	454	−	22
[illegible]	342	+	30	Illingworth M.	217	−	8
[illegible]	75	+	8	Mecca Leisure	167	−	4
[illegible]	266	+	4	Pleasurama	217	−	14
Sears	130	+	4				

US bank to fund Minorco bid

By **Kenneth Gooding**, Mining Correspondent, in London

TWO MAJOR North American banks are in the syndicate which will make £1.4m ($2.38bn) available to Minorco, the South African-controlled investment group, to help finance the £2.9bn hostile bid for Consolidated Gold Fields of the UK.

Minorco's formal offer document to be received by shareholders today reveals that Chemical Bank, the seventh largest in the US, and Canada's Bank of Nova Scotia are in the syndicate with the Swiss Bank Corporation and Dresdner Bank of West Germany.

The presence of a US bank in the syndicate will cause some surprise because of possible adverse reaction in the US to any apparent support for South African interests.

However, Chemical Bank said last night: "We feel comfortable with this transaction. It does not constitute funding an investment in South Africa but is a dilution of the South African interest in a world-wide company."

The banks will provide a revolving three-year, dual-currency loan facility (either sterling or US dollars) attracting an annual interest rate of ⅜ of a percentage point over Libor.

Sir Michael Edwardes, Minorco's chief executive, rebuffed suggestions that his company had been turned down by all the major UK clearing banks because of Minorco's South African connections.

He said the UK banks had not been approached. Tentative inquiries by Minorco had revealed that the UK banks almost certainly would not have been willing to provide finance because of conflicts of interest arising from previous connections with Gold Fields.

Sir Michael also suggested yesterday that there had been no leak of inside information ahead of the bid announcement and that the hectic trading in shares and options had been purely speculative.

"That speculation cost us a great deal – an extra £1 per Gold Fields share or £160m," he said. "Minorco could have bought more shares on the morning of the bid but we chose not to because of anxiety about fuelling the price."

Sir Michael said that the speculation started after Minorco distanced itself from Gold Fields to become free to bid. Since April Mr Julian Ogilvie Thompson, Minorco's representative on the Gold Fields' board, had not attended the UK company's board meetings.

Minorco claims the offer provides a 30 per cent premium over Gold Fields' average share price in the six months prior to the announcement of the bid and a 143 per cent increase in income.

Gold Fields last night said the formal document offered "nothing new" and urged its shareholders to take no action.

Gold Fields pointed out the document showed that organisations believed to be linked with the Oppenheimer family owned about 12m Minorco shares or 7 per cent. Therefore the South African shareholding in Minorco was currently 71 per cent, not 60 per cent as previously intimated by the company, and would drop to 48 per cent, not 40 per cent if the bid succeeded.

The Gold Fields' annual report, printed before the bid was announced, was posted to shareholders yesterday.

It shows that Mr Rudolph Agnew, the chairman, last year received a salary increase (exclusive of pension contributions) of £71,242 or 29 per cent, taking it to £315,026.

Minorco's share price last night fell by 36p to 663p and its offer values each Gold Fields share at about £12.87. The Gold Fields shares were unchanged yesterday at £12.81.

Sir Michael acknowledged that the bid, which closes on October 25, would probably involve a protracted battle. "It will be a ten-mile race, not a 100-yard sprint."

Ashley Ashwood

Turning his back on the Stock Exchange: Mr Richard Branson's Virgin Group began its transformation into a privately-held company yesterday when terms of a management buy-out were announced. Mr Branson believes the company can operate better in private hands – Virgin estimates it will be among Britain's five largest private companies. Page 27

SAS to link into Texas Air routes

By **Anatole Kaletsky** in New York

SCANDINAVIAN AIRLINES System yesterday announced a series of major operational and financial agreements with Texas Air, the biggest US airline holding company – a link-up which will involve an investment of up to $100m by the European company to create the world's largest integrated system of passenger air routes.

The key to the agreements is a series of scheduling changes which will enable SAS transatlantic flights from Scandinavia to link into the domestic route network of Continental Airlines, a Texas Air operating subsidiary.

Continental's main US hub is at Newark airport outside New York and SAS will transfer most of its transatlantic flights from Kennedy Airport to Continental's newly-built terminal at Newark.

SAS will pay Texas Air $25m immediately and a further $25m in stages for the use of the US airline's terminals and other facilities. In addition, Texas Air's board has invited SAS to buy up to 10 per cent of the company's stock in the open market.

Mr Frank Lorenzo, Texas Air's chairman, said yesterday that SAS intended to acquire these shares over the next six months. At yesterday's price of $14¼, this 10 per cent stake in Texas Air would cost around $50m. Mr Jan Carlzon, the SAS chief executive, has also been invited to join the Texas Air board.

In addition, the two airlines will establish a joint training facility for their service staffs. This could be an important factor for Texas Air, which has been suffering from serious service quality problems and clearly hopes to improve its image, particularly among business travellers, through the link with SAS.

As a result of the planned scheduling changes and the transfer of SAS flights to Newark, Mr Carlzon said that passengers from Scandinavia would enjoy daily links with most major cities in the US.

He added that SAS had already created a similar operation in Bangkok with Thai International Airlines, and was working on further arrangements with Qantas in Australia, Varig in Brazil and Aerolineas Argentina.

His ultimate objective was to create a global system which would enable passengers to fly virtually anywhere in the US, South America and the Pacific Basin either non-stop or with just one transfer.

For Texas Air, whose two operating subsidiaries, Continental and Eastern Airlines, have suffered from financial and service problems despite their US market leadership in terms of passenger miles, the cash infusion of $50m from SAS will be welcome but the intangible benefits of the link could be even more important.

Rebuilding public confidence in its service quality, punctuality and safety records is now seen by most analysts as the key to Texas Air's future success in the US airline market. The link with SAS could prove invaluable from this point of view.

SAS has held Europe's record for on-time performance for six years running and has consistently been highly rated in independent surveys of service quality. The clear risk for SAS, however, is that its own reputation might suffer if that of Texas Air does not quickly improve.

Eurobraz gives up banking licence

By **David Lascelles**, Banking Editor, in London

EUROPEAN Brazilian Bank (Eurobraz), a UK-based consortium bank specialising in lending to Latin America, has decided to give up its banking status because it cannot afford to make sufficient provisions against its doubtful loans.

The move is believed to be the first of its kind since the mounting Latin American debt crisis began to put severe pressure on the banking system in recent years.

Eurobraz is owned by five large international banks – Banco do Brasil, Bank of America, Deutsche Bank, Union Bank of Switzerland and Dai-Ichi Kangyo Bank of Japan. It was set up in 1975 to channel loans to Latin America, particularly Brazil, at a time when that continent was seen as a boom market.

But in recent years the bank's high exposure to doubtful loans has put severe pressure on its resources, and transformed it into little more than a holding operation.

At the beginning of this year, the Bank of England required it to put up several hundred million dollars of provisions against its $1.3bn loan book. However, this would have required a huge capital infusion from the shareholders which they were not prepared to make.

Instead, they have decided to give up Eurobraz's banking licence and transform the bank into a loan institution which will now be wound down.

Sir John Hall, the managing director, said yesterday that all the bank's depositors had been paid off, and that the assets were now being funded by loans from Eurobraz's shareholders. "The bank is being run down," he said. "This could take several years."

Eurobraz's plan is to repackage its loans into a form where they can be transferred to the books of its shareholders. This will have to be done in consultation with Eurobraz's borrowers, Sir John said.

Mixed reception for Inco recapitalisation

By **David Owen** in Toronto

STOCK MARKET analysts yesterday gave a mixed reception to a major recapitalisation plan at Inco, the world's largest nickel producer, which incorporates a US$1bn or $10 a share dividend payment to shareholders.

The company also became the first major Canadian concern to announce a shareholder rights plan to guard against takeover attempts which do not offer full value to all shareholders. In early trading on the Toronto Stock Exchange yesterday, Inco shares were up C$2⅝ at C$37½ on heavy volume.

The recapitalisation plan appears to be both an attempt to secure the Toronto-based company's independence, and a reflection of a shortage of suitable investment opportunities.

"We came to the conclusion that by buying, we would degrade our balance sheet," said one spokesman. "Everything was overpriced," he added.

Under the terms of the plan, Inco shareholders would have the right to buy new Inco stock at a 50 per cent discount to the trading price. In addition, shareholders could buy stock in the would-be acquiring company at a 50 per cent discount, with Inco putting up the other 50 per cent.

The plan would be triggered should anyone seek to acquire 20 per cent or more of Inco's voting shares. At that stage, the prospective buyer would be required to negotiate with the board to terminate the rights issued under the plan.

Such poison pills are now commonplace in the US, but not in Canada, partly because an extraordinarily high proportion of large Canadian companies have controlling shareholders.

Spurred by record nickel prices, Inco has earned more in the last six months than in any prior full year in its history. The company now believes that its share price "does not adequately reflect" its improved position.

Accordingly, in the words of Mr Donald Phillips, chairman, "a major purpose of the recapitalisation is to reduce this value gap by providing an immediate cash return to shareholders." The recapitalisation was not undertaken in response to any specific takeover threat, the company added.

Amstrad ensures chip supplies in $75m deal

By **Terry Dodsworth** in London and **Louise Kehoe** in San Francisco

AMSTRAD, the high-flying UK electronics and personal computer group, is acquiring a 9 per cent stake in Micron Technology of the US as part of a $75m deal aimed at ensuring its long-term supply of memory chips.

The agreement, announced to coincide with results showing an 18 per cent rise in pre-tax profits last year, underscores the problems that Amstrad has faced in trying to find sufficient quantities of semiconductors to maintain its computer production this year.

Only three weeks ago, the company said that deliveries of a new business computer range it was launching were being held up by the acute memory chip shortages which have hit equipment manufacturers throughout the world.

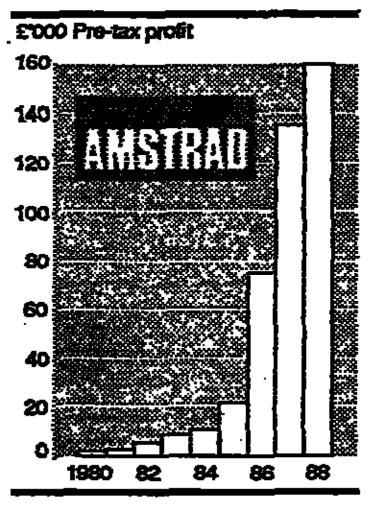
"There is no good done by sitting around, whimpering and hoping that the problem will come right," said Mr Alan Sugar, Amstrad's chairman, yesterday. "We had to be decisive and do something."

He added that the company had also arranged for a year's deliveries from Samsung, the South Korean memory chip producer, and was talking about similar contracts with Texas Instruments, the US semiconductor manufacturer, and both Toshiba and Hitachi of Japan.

Amstrad's move is a significant shift from its policy up to now of buying components in the spot market and avoiding involvement in manufacturing except at the assembly level.

Partly because of questions over this deeper commitment to manufacturing, the shares lost 5p yesterday, finishing at 210p, despite the fact that the results were at the top end of the market's expectations.

Under the contract with Micron, Amstrad will have the right to purchase up to 9 per cent of the US group's output of memory semiconductors, although it will not be forced to buy if it can purchase more cheaply elsewhere.



Mr Sugar said yesterday that this arrangement would be particularly helpful in giving the group access to 256K memories, which have been in particularly short supply because of Japanese cuts in production.

On the longer term value of the investment, he said that Micron, which is not at present paying dividends, was currently undervalued.

The US group, which made pre-tax profits of $118m in the year to September on sales of $300.5m, is expected to use the proceeds of the Amstrad investment on a $250m expansion programme.

Amstrad's results, for the year ending in June, showed a 22 per cent jump in turnover to £625.4m ($1.1bn) against £511.8m in the previous year.

Pre-tax profits rose from £135.7m to £160.4m.

Lex, Page 22

Mecca lifts bid for Pleasurama to £732m

By **David Waller** in London

MECCA LEISURE, the UK leisure group, yesterday raised its bid for Pleasurama, its much larger rival, and spiced the improved terms with an element of cash for the first time.

The new offer values Pleasurama at £732m ($1.24bn), an increase of approximately 17 per cent over the previous terms. Ordinary shareholders in the target company are being offered a new package worth 241¼p a share, of which 100p is in cash.

The total cash element of the deal amounts to £230m, of which £85m is to come from Mecca's own resources. The balance of £145m has been underwritten in the market.

The move was widely expected, but shares in both companies fell yesterday, reflecting some disappointment that Mecca did not deliver a full cash alternative. Pleasurama shares fell from 231p to 217p, 24p below the value of the bid, while Mecca shares slipped 4p to 167p.

The new offer was firmly rejected by Pleasurama. It claimed that the value of Mecca's paper was "highly suspect," because of the sheer scale of Mecca's proposed share issue, the significant dilution implicit in the offer and the fact that Mecca's management failed to understand the Pleasurama businesses.

Mr Jeremy Long, Mecca's finance director, said any dilution in the first year of the combined group would be "insignificant," but this was challenged by Pleasurama, which put the figure at 25 per cent.

Mecca is offering 7 new ordinary shares, 10 new convertible preference shares and £3.15 for every 10 Pleasurama ordinaries.

Lex, Page 22; Background, Page 30

RepublicBank reveals $3.5bn debt

FIRST RepublicBank has more than $3.51bn in debt, which is over 12 times the current value of its property and assets, according to its latest bankruptcy court filing, AP-DJ reports from Dallas.

The detailed financial accounting disclosed that the company, whose 41 bank units failed about two months ago and were seized by bank regulators, is more deeply insolvent than originally believed.

When it filed its initial bankruptcy-law papers in July, the company estimated total liabilities of $788.2m.

First RepublicBank, which is not related to San Francisco-based First Republic Bancorp, sought protection under Chapter 11 of the US Federal Bankruptcy Code after the Federal Deposit Insurance Corporation (FDIC) orchestrated a $4bn rescue of its banking units by transferring them to NCNB Corporation of Charlotte, North Carolina.

The bail-out has drawn protests from bank holding company creditors who believe that regulators may have illegally closed some banks that were solvent.

Without its banks, the corporation, once Texas' leading bank holding company, was left with little to pay its debt.

The FDIC has repeatedly defended its action and denied any wrongdoing, but attorneys for First RepublicBank and its creditors say they are preparing to sue the Government for the illegal transfer of the banks.

The document listed total debt of about $3.51bn, consisting mostly of long-term debt held by creditors that include some of the nation's largest pension funds and insurance companies.

First RepublicBank listed property with book value totalling $284m.

The property comprises mostly of office fixtures, but it includes a suite for viewing home games of the Dallas Cowboys professional football team, a small fleet of cars and a portrait of a past chairman and chief executive.

The filing warns that more than $200m of property, consisting mostly of stock and claims, "is likely to be significantly less than book value."

US chemical earnings continue to soar

US CHEMICAL industry profits continued to soar in the third quarter, with no immediate end seen to the industry's biggest boom in 14 years, according to analysts, reports Reuter.

Chemical earnings should rise 70 per cent or more this quarter from the year-ago period, fuelled by further strong domestic and overseas demand for petrochemicals and plastics, the analysts said.

"The boom continues," said Mr Leonard Bogner, Prudential-Bache chemicals analyst, who sees no let-up until 1990.

Mr James Wilbur, chemicals analyst at Smith Barney, said third-quarter gains were especially strong for producers of basic petrochemicals and plastics, such as Dow Chemical and Union Carbide.

He forecast that third-quarter earnings per share at Dow would rise to $3.05 from the year-earlier $1.72 and at Union Carbide to $1.55 from 57 cents.

Mr Wilbur predicted more modest gains at companies less focused on petrochemicals, such as Du Pont, where he forecast that third-quarter per share profits would rise to $1.95 from $1.87, and Monsanto, where he saw a rise to $1.65 from $1.30.

Mr Jack Henry, Merrill Lynch analyst, said third-quarter earnings may ease at Hercules to 85 cents a share from last year's 89 cents before an extraordinary gain. He cited Hercules' loss of earnings from Himont, from which it last year sold its 38.5 per cent stake.

Exports remained a positive factor for the industry, said Mr Wilbur, who stated that "the fact the dollar has stayed at a relatively low level has continued to support export prices that have been in most cases above domestic prices."

Mr Bogner said that US chemical exports so far this year rose less than 10 per cent in volume but 25 to 30 per cent in value, compared to 1987 value gains of 15 to 20 per cent.

Some analysts added, however, that export prices have moderated for some plastics-oriented chemicals such as styrene. They noted a recent slackening of demand from China, a major plastics customer.

"I would expect little (export) volume growth from here on out," said Mr Henry. "We don't have the capacity."

Analysts said the domestic chemical industry's average capacity utilisation was about 88 per cent in the third quarter, although the rate was 100 per cent or higher for some basic commodity chemicals such as ethylene.

Mr Wilbur said concerns that chemical companies might repeat their mistake of the late 1970s and add too much capacity had led to an undervaluing of chemical stocks.

While chemical companies are now spending more for new capacity than in the previous five years, "they are nowhere near the level that got them into trouble in 1979 or 1980," he added.

Planned supply increases were not likely to hit industry earnings until 1990 or later, said Mr Bogner.

Predicting five to eight more quarters of strong chemical earnings, he cited expectations of continued strength in industrial economies through the rest of this decade, a stable dollar and stable or declining costs for raw materials, including oil.

Piper agreed bid 'to thwart UK raider'

By Our Financial Staff

PIPER-HEIDSIECK, one of France's last family-owned champagne houses, agreed to a FFr1.25bn ($197m) takeover offer from Rémy Martin, the French cognac house, to protect itself from a mystery British raider, Mr François d'Aulan, Piper-Heidsieck chairman, said.

The family-owned groups struck the deal, announced on Monday, five days after a 15 to 20 per cent block of Piper's capital changed hands on the Paris bourse, he added.

Mr D'Aulan told a news conference the buyer had not revealed his hand. "But (he) undoubtedly comes from across the (English) Channel."

He declined to comment on whether the buyer could be Grand Metropolitan of the UK, which at the beginning of the year bid unsuccessfully for the Martell et Cie cognac house against Seagram of Canada. Grand Metropolitan officials were not available for immediate comment.

Piper-Heidsieck and Rémy will together rank as the world's fourth largest champagne producer, after Moët Hennessy Louis Vuitton, Seagram's Mumm et Cie, and BSN.

Mr D'Aulan said Piper-Heidsieck, concerned by the global shake-up among wine and spirits producers, had sought a French and family-owned group such as Rémy as a partner.

Rémy said on Monday it would pay FFr2,600 per Piper share, for a total value of $1.25bn. The D'Aulan family has already agreed to sell 56 per cent of Piper to Rémy.

It added that the purchase was aimed at increasing sales volume and complementing its current champagne labels, which include Charles Heidsieck and the luxury brand, Krug.

In 1987 Piper-Heidsieck made attributable net profits of FFr19.1m on sales of FFr362.6m. In the year to end-March 1988 Rémy's net profits were FFr60.8m on FFr3.32bn turnover.

Digital Equipment in 'robot' venture

By Nick Garnett

DIGITAL EQUIPMENT, the computer manufacturer, and Allen-Bradley, a leading producer of industrial controllers and other equipment, yesterday announced a joint manufacturing, development and marketing venture in factory automation.

The two US companies have jointly developed a range of products to improve automatic data communications between factory shop-floors and the computers that help run whole plants.

The venture, in which A-B and Digital also hope to provide customers of some of their equipment with joint service teams, will intensify the battle between vendors of equipment for computer integrated manufacturing.

Mr Peter Graham, marketing development manager at Digital, said A-B would provide royalty payments to Digital. The size of these payments was confidential.

The intention was that the partnership between the two companies "will last a very long time," Mr Graham said.

Mr Tracy O'Rourke, president and chief executive of A-B, and Mr Ken Olsen, president and chief executive of Digital, were both at the announcement yesterday, made through a transatlantic satellite link-up.

The joint venture is a combination of discussions between the two men started in 1986.

LTV Steel unit up for sale

LTV, the US steel, defence and aerospace group, is selling the bar division of its LTV Steel subsidiary as part of its restructuring programme.

The company, which is operating under protection of Chapter 11 of the US Bankruptcy Code, said it would take a "substantial special charge" against earnings in the third quarter to reflect the sale. The bar division, which has 5,400 employees and produces about 1.2m short tons of steel per year, has long been recognised as a problem area.

Latin America specialist to give up bank status

By David Lascelles, Banking Editor

EUROPEAN Brazilian Bank, a UK-based consortium bank specialising in lending to Latin America, is to give up its banking status because it cannot afford to make sufficient provisions against doubtful loans.

The move is believed to be the first of its kind since the mounting Latin American debt crisis began to put severe pressure on the banking system.

Eurobraz is owned by five large international banks, Banco do Brasil, Bank of America, Deutsche Bank, Union Bank of Switzerland and Dai-Ichi Kangyo Bank of Japan. It was set up in 1975 to channel loans to Latin America, particularly Brazil, when that continent was seen as a boom market. But the bank's high exposure to doubtful loans has put severe pressure on its resources, transforming it into little more than a holding operation.

At the beginning of this year, the Bank of England required it to put up several hundred million dollars of provisions against its $1.3bn loan book. However, this would have required a huge capital infusion, which the shareholders were not prepared to make.

Instead, they have decided to give up Eurobraz's banking licence and transform the bank into a loan institution, which will now be wound down.

Sir John Hall, the managing director, said yesterday that all the bank's depositors had been paid off, and that the assets were now being funded by loans from Eurobraz's shareholders. "The bank is being run down," he said. "This is a process which could take several years."

Eurobraz is to repackage its loans into a form where they can be transferred to its shareholders' books. This would have to be done in consultation with borrowers, Sir John said.

The operation itself is also being wound down. Staff, which numbered over 40 at the beginning of this year, has been reduced to 30, and further lay-offs will be made by the end of this year. Since it is no longer a bank, it must also drop "bank" from its name.

Eurobraz's fate is the most severe among bank's specialising in Latin America. Under exceptional arrangements approved by the Bank of England, other London consortium banks, such as Libra Bank, Intermex and Eulabank, have received fresh resources from their owners. These have come in the form of deposits which will have to be transformed into investments at the end of this year.

CSX advances in third quarter

By Our Financial Staff

CSX, the US railroad and resources group whose results traditionally herald another quarterly results season, has reported a rise in third-quarter net earnings to $120m or 75 cents per share, up from $104m or 67 cents in the year ago period, on turnover $130m ahead at $1.89bn.

Last month the Richmond, Virginia based company gave the go-ahead for a restructuring aimed at emphasising its core business as an international transportation company which included the repurchase of up to 60m shares and the sale of natural gas assets.

Announcing its results, CSX said its rail revenue increased in the quarter, primarily due to improved traffic mix and yield, despite lower carloads.

Coal carloads were down, but the company said it was encouraged by the late-summer drawdown of inventory levels at CSX-served utilities, leading to increased coal shipments.

Merchandise traffic was slightly below 1987 levels for the quarter but continued to show strength in the areas of chemical, phosphate and fertiliser and automotive shipments.

For the first nine months a $778m pre-tax charge relating to labour separation payments and certain litigation claims reduced net earnings to $25m or 11 cents per share, compared with $303m or $1.96 previously. Revenue advanced from $5.1bn to $5.5bn.

Manville to emerge from Chapter 11

By Deborah Hargreaves in Chicago

MANVILLE, the Denver-based fibreglass and forest products group, is set to emerge from its six-year Chapter 11 reorganisation in November following a Supreme Court decision not to review an appeal contesting one aspect of the company's restructuring plan.

The 400 appellants, who have existing health claims against Manville's asbestos products, had protested against the way the company's insurance assets were being treated under its reorganisation plan. They have up to 25 days to file for a re-hearing, but since they must provide substantial new evidence to do so, a new hearing is unlikely.

The Supreme Court's decision effectively clears the remaining legal hurdle in the way of the implementation of Manville's restructuring plan, which puts the company in control of a health trust set up to pay over 50,000 asbestos compensation claims.

"This is a very exciting day for us, we've waited for this for a very long time," said Mr Tom Stephens, the company's president and chief executive. At the end of the 25-day re-hearing period, the company will enter a 30-day grace period to prepare to launch its restructuring plan.

Currency gains and tax cut save Santos from profit collapse

By Bruce Jacques in Sydney

CURRENCY GAINS and lower tax payments saved Santos, Australia's largest onshore petroleum producer, from an earnings collapse in a difficult June half-year.

The company showed a 9 per cent net profit fall in the period to A$50.8m (US$39.5m) from A$55.2m, on a 16 per cent fall in sales to A$214.1m from A$254.8m. The result would have been considerably worse but for the cut from 49 per cent to 39 per cent in the Australian tax rate which helped to clip the company's tax bill from A$38.4m to A$29.7m.

Santos was also helped by a A$7.7m above-the-line currency gain, although this was offset by a decline in the company's US dollar-related revenue. The tax and currency items were the main force behind a A$77.6m extraordinary gain compared with a A$2.3m loss previously. The gain was made up of a A$38.7m exchange surplus and A$45.5m from a restatement of deferred tax at the lower rate.

These non-trading items helped the company to maintain annual dividend at 9 cents a share on capital increased by a one-for-10 bonus issue last year. The payout will be franked to 8 cents a share for tax purposes. Sir Brian Massy-Greene, the chairman, pointed out that the company is Australia's only petroleum specialist which is paying franked dividends.

"Santos has performed well in a difficult business environment," he said. "This is a significant achievement because average crude oil prices were 8 per cent lower in US dollar terms and the Australian dollar was 9 per cent higher on average against the US dollar."

Sir Brian said sales of all petroleum products had fallen, largely because of heavy rainfall on the company's central Australian operations, but the company had taken advantage of the appreciation of the Australian dollar to retire A$140m of debt.

"The final phase of renegotiation of Santos' loan financing has been completed and Santos now has no security-linked debt," he said. "Santos' cost production program has been a major success. Controllable operating costs in 1988 will be approximately A$10m lower than 1985 costs after adjustments for acquisitions and allowance for inflation in spite of a 20 per cent increase in production."

The result followed an interest provision of A$43.7m (A$45.7m previously) and depreciation of A$50.6m (A$53.6m).

Domestic demand lifts Japanese stores group

By Our Financial Staff

JUSCO, a leading Japanese supermarket chain, boosted pre-tax profits 6.5 per cent to Y11bn ($82.5m) in its first half to August 20, a period during which it launched a big expansion into US retailing.

In May Jusco agreed to buy Talbots, a womenswear chain and catalogue sales company, from General Mills for $325m. In Japan, Jusco's outlets sell food, clothing and household goods and the company said then that it wanted to draw on Western retail expertise.

However, the acquisition was not directly reflected in the parent company's interim figures released yesterday, and Jusco attributed the gain to strong domestic demand.

Sales rose 7.3 per cent to Y409.5bn. Foods were up by only 6 per cent while stronger growth came in clothing and leisure goods, up 8.9 per cent and 12.9 per cent respectively. Net earnings were Y5.42bn compared with just on Y5bn, or Y18.91 per share against Y17.89.

For the full year to February 20, Jusco said it expects pre-tax profits of Y26.50bn, up from an earlier forecast of Y26.30bn and a Y25.13bn outcome the previous year.

It predicted net profits of Y12.70bn against a previous forecast of Y12.50bn and the Y12.02bn for 1987-88. The projection for sales was lifted by Y10bn to Y855bn, compared with the Y807bn the year before. It plans to maintain a Y19 a share dividend payout.

BTR Nylex to buy Feltrax for NZ$935m

By Bruce Jacques in Sydney and Dai Hayward in Wellington

BTR NYLEX, the 62 per cent Australian offshoot of the UK's BTR industrial group, is paying NZ$935m (US$572.3m) to take over Feltrax International, a New Zealand carpets, textiles and furniture producer.

Feltrax, the manufacturing arm of Mr Allan Hawkins's troubled Equiticorp International group, also owns 80 per cent of the privatised New Zealand Steel. Under the deal announced yesterday, the NZ Steel stake will be resold to a third company.

Mr Hawkins said only that there was more than one potential buyer. Fletcher Challenge, New Zealand's biggest company, has made public its interest, but analysts suggested that Broken Hill Proprietary (BHP), the dominant Australian steelmaker, could also be in the running.

Earlier this year BTR Nylex paid A$1.5bn (US$1.25bn) for ACI International, an Australian glass and packaging company. It has since sold more than A$250m of ACI assets. A rapid sale of NZ Steel would also thus be typical of its strategy.

BTR Nylex supplies equipment for the engineering, construction and automotive industries but also has involvements in textiles and carpeting, making Feltrax complementary to much of its existing base.

Under Mr Alan Jackson as chief executive, BTR Nylex has set a strong acquisition pace which has included bids for Borg-Warner Australia and China General Plastics of Taiwan in the past 18 months.

The sale also takes Equiticorp a substantial way towards Mr Hawkins' aim of selling more than NZ$1bn worth of assets as part of a complex restructuring designed to reduce debt in the wake of last October's crash.

This has already brought a series of intra-group takeover bids, and the future of the company's 62 per cent interest in GPG Group, the UK-based Guinness Peat financial services business, has also been in doubt.

However, Mr Hawkins yesterday reaffirmed the group's commitment to its financial services and investment activities, including Guinness Peat, which he said controlled US companies with more than US$4.2bn in funds under management.

The Feltrax disposal will give him more room to manoeuvre in reshaping the rest of the Equiticorp group. "The sale reduces Equiticorp's balance sheet footings by in excess of NZ$2.5bn," Mr Hawkins said.

"External debt recorded on the Equiticorp consolidated balance sheet will reduce by approximately NZ$1.6bn. In future, Equiticorp will be a finance and investment oriented organisation continuing to spread its activities worldwide to gain an appropriate spread of operation over different economies."

Under the terms of the deal, BTR Nylex yesterday bought Equiticorp's 80 per cent stake in Feltrax at NZ$3.20 a share and will bid for the outstanding minority at the same price. The offer price is ex the 7 cents a share dividend recently declared by Feltrax, but was well above the market price of NZ$2.95 before the offer was announced.

Feltrax shares jumped to NZ$3.10 on the announcement.

Last month Feltrax reported a 3.2 per cent rise in net profits to NZ$75.8m for its year to June. BTR Nylex paid 17 times earnings for ACI but still managed to report a 162 per cent jump in net earnings to A$105.9m in its half-year to June after only three months' contribution from that acquisition.

Gordon Cramb writes: Fletcher Challenge was an initial bidder for NZ Steel when the Government offered its then 89 per cent holding for sale.

Equiticorp won with a NZ$327m offer in an agreement struck just under a year ago, at the onset of the crash. It later shifted the stake to its Feltrax subsidiary, which was previously known as Feltex.

Last month Fletcher signalled its renewed interest by applying to the New Zealand Commerce Commission for clearance to take over Feltrax. In London this week Mr Hugh Fletcher, its chief executive, said this was a precautionary move and added: "Our interest is only in NZ Steel."

Mr Fletcher did not indicate how much the company might be prepared to pay for the steelmaker but said: "In our view Mr Hawkins paid too much, and he has paid the price for it."

The forestry-based Fletcher has an existing steel products business, although this contributed just NZ$8m to its NZ$532m net profits for the year to June.

It has been seeking to build "superior competitive positions" in all its operations, selling those which do not meet this criterion.

BHP has recently been benefiting from a turnround at its steel division, which also operates in New Zealand through outlets in Auckland and Christchurch.

The group remains keen to internationalise its operations further.

Share flotation of Saudi developer fully subscribed

By Finn Barre in Riyadh

A SHARE flotation for Makkah Company for Real Estate and Development has been fully subscribed half-way through the 60-day offer period for what is Saudia Arabia's fourth new equity issue this year.

An official at the Consulting Centre for Finance and Investment (CCFI), which is manager of the flotation, said yesterday that subcriptions to the SR336m ($89.6m) offering had reached 101 per cent.

Investors have to put up only 25 per cent of the face value of the shares, and will actually pay SR84m.

The offering is for 25 per cent of Makkah Company's total authorised capital of SR1.34bn. A total of 3.36m shares was on offer to the public.

The company was created to redevelop the Mecca area surrounding the Grand Mosque, Islam's holiest edifice.

The Makkah flotation follows successful share launches of Al-Rajhi Banking and Investment Corporation (known as Arabic), a money exchanger which reincorporated as a full bank, as well as for Al-Jouf Agricultural Development (JADC) and Taiba Company for Investment and Real Estate Development, which will help develop the Medina area.

In addition, Saudi Cairo Bank issued shares in order to double its capital.

These flotations took place after a hiatus of more than three years since the last Saudi stock flotation.

ANZ links separate divisions

AUSTRALIA and New Zealand Banking Group has integrated its investment banking activities with McCaughan Dyson Capel Cure, its stockbroking unit, Our Financial Staff writes.

ANZ McCaughan, the new Melbourne-based division, will group ANZ Merchant Bank, ANZ Capital Markets and the broking arm, which itself was the product of a merger last November between McCaughan Dyson, a 15-year-old Australian institutional stockbroker, and Capel-Cure Myers, the long-established London firm which the bank first moved to acquire in 1984.

ANZ McCaughan (UK) will embrace the investment banking and securities trading activities of the group for Europe and North America.

Regal Hotels buys 51% stake in US group

REGAL HOTELS of Hong Kong has agreed to buy a 51 per cent stake in Aircoa Companies, a US hotel management concern, for HK$400m (US$51.3m), AP-DJ reports from Hong Kong.

A Regal official said the acquisition would be financed by internal resources and was expected to be signed in December.

Aircoa operates 134 hotels in the US. Regal manages three hotels in Hong Kong and recently purchased a controlling interest in a hotel in Toronto, Canada.

Chase makes cash offer for Wormald

CHASE CORPORATION, the New Zealand investment group, is to offer a A$1.80 a share all-cash alternative in its takeover bid for Wormald International, the troubled Australian fire protection and security company, Our Financial Staff writes.

The offer values Wormald at A$824.5m (US$254.7m). In June Chase Corp offered two shares in its 89 per cent owned Hanimex subsidiary plus A$1.25 cash for every three Wormald shares.

It is intended to bring Chase Corp's stake in Wormald up to 50 per cent from the current 20.16 per cent.

INTERNATIONAL COMPANIES AND FINANCE

CIR raises shareholding in Mondadori to 50%

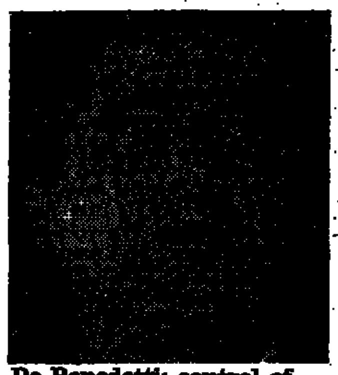
By Alan Friedman in Milan

CIR, MR Carlo De Benedetti's master company, has taken significant new share stakes in Mondadori, the big Italian publisher, and in a company that controls Merzario, Italy's largest transport and removals company.

CIR has spent close to L70bn ($50.6m) to bring its stake from 40 per cent to 50 per cent of Mondadori's preferred stock, a move that will strengthen CIR's control of the publicly-quoted Mondadori. The shares were bought from four institutional investors and through the Milan stock market, according to CIR.

Mr De Benedetti already had effective control of Mondadori through his holding of 27 per cent in AMEF, the financial vehicle that owns 50.3 per cent of the publisher. This stake is held in partnership with the Formenton family, which has a further 24 per cent of AMEF. CIR also owns a direct 19 per cent stake in Mondadori.

Mr De Benedetti's latest investment in preferred stock, which has voting rights in extraordinary shareholder meetings called to decide issues such as mergers and rights issues, brings his total financial commitment in preferred stock to L200bn. He has also invested L110bn in AMEF and L170bn in Mondadori shares over the past year, bringing CIR's total outlay on Mondadori L480bn.



De Benedetti: control of Mondadori strengthened

The Milan-based Mondadori last year made a L101.3bn net profit on L1,332bn of turnover.

In a separate development, Mr De Benedetti has also taken an option on a major equity stake in the company that controls Merzario. CIR is paying L15bn to subscribe a convertible bond issue in Fratelli Mantovani, a transport and industrial logistics company which in turn is about to take majority control of the Milan-based Merzario.

It is likely that the bonds will be converted into 49 per cent of Mantovani's equity during the next 12 months.

The deal will give Mr De Benedetti a main voice in the running of the unquoted Merzario group which, with 3,000 employees and L558bn of 1987 revenues, is Italy's leading transport group and has important shipping interests.

Merzario is understood to have made a loss for last year which was covered by a government grant.

Volker lifts capital to ward off predators

By David Brown in Amsterdam

ROYAL Volker Stevin, the Dutch construction group, has issued a substantial block of new shares aimed at staving off a possible takeover bid.

The company has issued the shares, equal to around a third of Volker's capital after the capital increase, to a friendly foundation. The news lopped Fl 1 off its shares, which closed yesterday at Fl 37.50 (US$17.60).

The decision to issue 3.5m preferred shares (with a par value of Fl 20 each) was described by Volker as "an additional precaution to guard against the Hollandsche Beton Groep or any other predators."

HBG announced on Monday that it was seeking to acquire a 27 per cent holding in Volker. It said it was in talks with Heerema, a Dutch offshore contractor, with a view to buying the stake in Volker.

HBG said it was not interested in initiating an unfriendly action but did not rule out an attempted full-scale merger with Volker later.

A Volker official said yesterday that he believed HBG had already built up a share stake of between 10 per cent and 15 per cent of the outstanding 4.9m ordinary shares.

The new issue was aimed at preventing HBG from controlling more than one-third of Volker's total share capital.

Photo Porst details dual issue flotation

By John Wicks in Zurich

PHOTO PORST, the West German retail chain best known for its photographic equipment, is to launch itself on to the German and Swiss stock markets via a dual issue of shares.

Porst Holding, the Swiss parent company of the retail chain, is to increase its capital by SFr8m to SFr40m (US$25.3m) by the issue of 200,000 bearer shares, half to be placed in Germany and half in Switzerland.

The dual placing could raise up to SFr24m for Porst, which has more than 2,200 retail outlets in Germany and which last year achieved sales of DM474m (US$255m). For the first nine months of 1988 sales totalled DM308m.

Porst is 38 per cent owned by Interdiscount, the Swiss retailer of photographic equipment and electrical consumer goods. Interdiscount is to increase its stake in Porst to 45 per cent ahead of the flotation.

In recent months Interdiscount has expanded its retail operations. It has taken a stake in the German Pranha watch-making group, a shareholding in Komet, the German audio company, and has acquired a 20 per cent interest in Innovative Time of the US.

The Porst flotation will take place between next month and May 1989. Swiss Bank Corporation will handle the Swiss issue and Deutsche Bank the German flotation.

The Photo Porst chain employs 1,172 people. Last year its turnover was split evenly between equipment sales and film development business.

Al Saudi Banque rescued

By Our Financial Staff

THE Bank of France yesterday announced a co-ordinated rescue for Al Saudi Banque, the small Paris-based bank with assets of around FFr8bn (US$1.3bn). Forty-four French-based creditor banks are backing an operation that will allow Al Saudi Banque to continue its activities.

The central bank said the Saudi Hariri group, the main shareholder of Al Saudi Bank Holding NV, had injected funds into the troubled bank, which has run up losses of around FFr2bn.

Banque Indosuez, part of the Compagnie Financière de Suez group, had also put new capital into Al Saudi Banque and would be involved in the future day-to-day management of the bank.

According to bank officials, Indosuez had injected its funds via Al Bank Al Saudi Al Fransi, in which it has a 40 per cent shareholding and which will now take a 42.5 per cent interest in Al Saudi Banque.

The Bank of France said the outlines of the rescue were settled on Monday evening. It promised that "creditors not based in France will not lose in the affair. Their debts will be honoured."

BHF increases operating profit

By Our Financial Staff

BERLINER Handels-und Frankfurter Bank, the West German merchant bank which launched a DM142m ($76m) rights issue in the summer, yesterday announced improved operating profits for the first eight months of 1988.

The bank, which was hit by lower earnings in 1987, said that operating profits for the period had exceeded two-thirds of the 1987 total.

Partial operating profit at the parent bank rose 9.9 per cent; the rise in total operating profit, including own account trading, was slightly less than this. BHF said the improvement in partial operating profit came principally from an increase in volume.

BHF gave neither absolute earnings figures nor information on the group. It took the traditional basis of comparison used by German banks for interim results, which sets current data against a proportion of the entire previous year rather than the equivalent year-ago period.

Looking ahead to the annual returns, BHF said it was confident of a satisfactory result. In 1987 the bank suffered a 21 per cent decline in partial operating profits, although total operating profits fell less steeply.

French-Italian insurance deal

MUTUELLE du Mans, the French co-operative insurance group, is to acquire five Italian insurance companies from Unipar, the Italian holding company, for around FFr800m (US$126m).

They are La Nationale, based in Rome, and the four companies of the CAB group in Bologna: Fiduciaria, Fiduciaria Vita, Mercury and Salda.

In 1987, the five companies, active in both life and accident insurance, had combined turnover of L180bn (US$13m) and accounted for 1.5 per cent of the Italian insurance market.

Norwegian banks' losses set to double

By Karen Fossli in Oslo

NORWAY'S banks are heading for record losses of NKr5.95bn ($863m) this year, nearly double losses of NKr3.1bn posted in 1987, according to figures released yesterday by the country's Banking, Securities, Insurance and Exchange Commission.

The commercial banks are forecast to increase losses to NKr4.17bn from NKr3.10bn in 1987. It is estimated that about 15 per cent of this year's shortfall will be made on personal loans, compared with 10 to 11 per cent last year.

The savings banks are expected to increase losses to NKr1.78bn from NKr1.24bn in 1987. Up to 16 per cent of these losses will be incurred from personal loans.

However, the commercial banks have reduced their operational costs by 0.18 per cent of their share capital to 2.62 per cent compared with 2.8 per cent last year. The savings banks, too, have reduced their operational costs by 0.11 per cent to 3.19 per cent.

According to the commission, interest rate margins for the banks have remained stable in the period.

Statoil may pass dividend

By Karen Fossli in Oslo

STATOIL, Norway's troubled state oil company, may be forced to pass its dividend to the state for this year and next as a result of the extraordinary write-offs associated with its Mongstad refinery and the effects of the low oil price, according to the 1989 draft Budget proposals.

The company did not pay a dividend in 1987 and the state has not budgeted for payment over the next two years. The Oil and Energy Department estimates the 1988 dividend at NKr1.18bn (US$171m).

Statoil's future is shortly to be debated in parliament. The company faces a break up into smaller units and the possibility of asset disposals.

To restore its financial strength, the company last month called on the Government to convert a NKr2bn to NKr3bn state loan into subordinated debt so that it could count the loan as equity in its accounts.

INTERNATIONAL COMPANIES AND FINANCE

Britain promises to improve service of Companies House

By Hazel Duffy in London

LORD YOUNG, the UK Trade and Industry Secretary, has promised that users of the British companies registration office will get a better and faster service in future.

He was speaking earlier this week in Cardiff at the launch of Companies House as the second of the new-style civil service agencies. The first, the Vehicles Inspectorate, was set up in the summer.

Mr Stephen Curtis, the present Registrar who is to be the new chief executive of Companies House, indicated that business users - including accountants and lawyers, and possibly libraries - could have direct access to the Companies House computerised records within the next two years.

At the moment this facility is only available to personal callers at the Companies House offices in London, Cardiff and Edinburgh. Faxed copies of the returns which companies are required to make by law, could be available within three years using optical disk technology.

Mr Curtis will have considerably more power to manage the agency than has been permitted by his previous status as a division within the Department of Trade and Industry (DTI). These include:

- Key staff will be eligible for performance-related bonuses. Lord Young intimated that, subject to approval by the Treasury, these could include extra holidays and bonuses of up to £5,000 ($8,520).
- A bonus scheme will be introduced to motivate all staff to achieve unit cost and quality targets. A target of 10 per cent increase in productivity by the end of 1990-91 has been set. Some of the savings will be ploughed back into Companies House.
- Greater responsibility for the recruitment of staff, which will enable the chief executive to vary staffing levels according to demand, and to develop career management for the staff. Total Companies House staff is currently around 1,100.
- Permission to reallocate funds during the year between capital and current expenditure.

A new steering board, including two independent members from the private sector, has been set up. It will advise ministers on strategic priorities for Companies House and monitor performance.

Some 80 per cent of companies comply with legislation to register, and file annual returns. The target will be to increase this to around 90 per cent. Four years ago, when the companies registration service was severely criticised by the Commons Public Accounts Committee, the figure was only 40 per cent.

Lord Young is one of the most vigorous supporters of the agency process, adopted by the Prime Minister Mrs Thatcher last February following recommendations in the report The Next Steps by her Efficiency Unit. He wants 50-60 per cent of the DTI's civil servants to be working within agencies. This would cover nearly all executive work, as opposed to policy, carried out by the department.

Other candidates within the DTI for agency status include the export services, the research establishments (these are likely to be set up as trading funds), the Insolvency Service, and the Patent Office, which will be moving to Newport in South Wales.

Lord Young has decided that the DTI regional offices are not suitable candidates. In setting up agencies, he has also rejected the possibility that Companies House and other divisions of the DTI - with the exception of the National Engineering Laboratory - can be privatised.

In the case of Companies House, this is because it is "an integral part of the Government's regulatory function."

Virgin Group makes 140p buy-out bid

By Nikki Tait in London

THE DEPARTURE of Mr Richard Branson's Virgin Group from the London stock market got under way yesterday with the announcement of a 140p-a-share cash offer for the company from a private management buy-out vehicle. The offer values Virgin at £248m ($419m).

The buy-out price is identical to the level at which Virgin shares were floated in November 1986. In the first part of 1987, they rose above the launch price, but for the past year have traded below this.

By June 1988, they had fallen to 87p and the following month Mr Branson announced that he planned to take Virgin private again – with subsequent speculation that an offer would be made at the 140p a share level. Since then, the share price has picked up and yesterday it rose 7p to 134p.

Yesterday, Mr Branson said that the company had 40,000 small shareholders, many of whom were friends or staff, and that it "did not see a situation where they would get this price (140p) for a long time to come".

He believed that the company could operate better in the private sector where Virgin estimates that it will be among Britain's five largest private companies. He argued that Virgin's emphasis on starting new subsidiary companies from scratch tended to depress profits, and revealed that plans for a rights issue of around £50m last autumn were scuppered by the October crash.

At the time of Virgin's interim figures, to end-January, the company warned that it would not match the 1986-87full-year figure of £27.7m before exceptionals in 1987-88. Yesterday, Virgin added that pre-tax profits will not now reach the level anticipated at the interim stage. Mr Branson declined to specify the shortfall but indicated that Virgin expected a fairly flat profits picture for the next three years.

The bid is being made by Glowtrack, a new company of which five Virgin directors – including Mr Branson – will be directors. These directors and their family trusts own 111.3m Virgin shares (62.8 per cent) and – apart from 2.1m shares – will swap these holdings for shares in Glowtrack. Mr Branson, whose own stake in Virgin amounts to 53 per cent, will end up with 83 per cent of Glowtrack.

The bid is being financed by a five-year £182m syndicated loan facility. About £100m of this is to meet the bid cost and the remainder to refinance existing debt. Virgin declined to reveal the interest rate payable on the loan but said that it would be at certain margins over a capped LIBOR rate of just over 10 per cent. The syndicate is led by Citibank, and co-underwritten by Bank of Nova Scotia, Caisse Nationale de Credit Agricole and Standard Chartered.

Mr Branson added that he did not imagine that Virgin would come back to the stock market, but added that this did not preclude the flotation of subsidiary companies in the future.

Clowes directors 'lied to company stockbrokers'

By Ian Hamilton Fazey in London

MR PETER CLOWES and his Yorkshire associate Mr Guy Cramer deliberately lied to their company's stockbroker about the true identity of the sub-underwriter of a rights issue of shares in James Ferguson Holdings in April last year. The proceeeds of the issue were used in part to buy the Barlow Clowes fund management companies.

The main underwriter was Rensburg, the Leeds stockbroker, which demanded and received written assurances from the two men that they were not connected with Ryman, which they had produced as sub-underwriter of the issue.

Liquidation of the web of companies in the Barlow Clowes empire has revealed that Mr Clowes and Mr Cramer – who were at the time chairman and chief executive respectively of Ferguson – were also in simultaneous control of Ryman. The circumstances are being investigated by the London Stock Exchange, the Department of Trade and Industry and the Serious Fraud Office.

Stock Exchange regulations have been breached because the beneficial controllers of Ferguson were attempting to buy their own company's shares without informing the Exchange or obtaining shareholders' permission. The Stock Exchange said yesterday that the breach of principles involved was also likely to come under company law.

The revelations may also help explain Rensburg's sudden resignation last June as Ferguson's broker. Mr Tim Wood, the Rensburg partner in charge of corporate finance, confirmed yesterday that full details of the way his firm had been misled had been given to the Stock Exchange.

The investigations are understood to have exonerated Rensburg, which acted in good faith in accepting the assurances of Mr Clowes and Mr Cramer, to whom no suspicion then attached.

The rights issue was taken up fully by existing Ferguson shareholders, nearly all of whom were associated with Mr Clowes in some way, so the underwriters were left with nothing to pick up anyway. However, Ryman would have been able to buy the shares – and get a commission for doing so – had any shareholders not taken up their rights, and it had the intent to do so.

INTERNATIONAL CAPITAL MARKETS

Anxieties over jobs data still overshadows $ sector

By Norma Cohen

ANXIETY OVER the upcoming US employment report for September kept new straight dollar Eurobonds out of the market – a trend likely to remain until Friday when the data are due to be released.

Meanwhile, dollar bond prices dropped on an early firming in oil prices that proved only temporary. By the end of the day, bond prices were slightly lower in very light trading.

The price drop was not sufficient to push most of the recent dollar Eurobonds outside their fees, with the exception of Monday's $250m 10-year issue for British Telecom.

That issue ended at less 2.20 bid against full fees of 2 per cent, but dealers noted that even at the lower price IBJ International, the lead manager, was maintaining the issue's spread over Treasuries at about 36 basis points. It was launched at 40 basis points over Treasuries.

The largest equity warrant Eurobond in some weeks was launched by Nomura Securities – a $500m four-year deal for Kobe Steel. The issue has an indicated coupon of 5 per cent and closed at a hefty premium of 106 to 107, up about a point from its pre-launch price yesterday.

INTERNATIONAL BONDS

A $100m four-year deal for Korakuen Co, a Japanese leisure and entertainment group, met with more modest success. Lead manager Yamaichi International indicated the coupon at 6 per cent and said the issue was trading in the grey market at 98¼ to 98¾.

Equity warrants traders said that yesterday, for the first time in more than a week, prices in the sector closed lower, partly reflecting price falls on the Tokyo SE.

In spite of the heavy volume of new issues, the sector has been having a very good run, particularly for issues in the construction and mining sectors. And new rules intended to promote liquidity and stability in equity warrants have already gone into effect.

Meanwhile, yet another Eurobond with currency warrants attached emerged in the guilder sector, this one for McDonald's Corp, the US-based fast food group. The five-year Fl 150m bond carries a coupon of ½ per cent and is priced at 98 with fees of 2 per cent so that the effective yield to investors is much higher.

Lead manager Amro Bank said there has been considerable demand for issues with low coupons because of withholding tax laws in Benelux countries. Each Fl 10,000 bond has 27 warrants attached to buy DM500, at a rate to be set today.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kobe Steel‡	500	(5)	100	1992	2¼/1½	Nomura Int.
Korakuen Co.‡	100	(6)	100	1992	2¼/1½	Yamaichi Int.(Eur)
Final terms fixed on:						
Towa Real Estate‡◆	100	5	100	1992	2¼/1½	Nomura Int.
Kotobukiya Co.‡◆	100	5	100	1992	2¼/1½	Nikko Secs(Europe)
Shikoku Chemicals‡◆	50	5⅞	100	1992	2¼/1½	New Japan Secs.
D-MARKS						
Heraeus Int. Finance◆	75	6⅞	100	1998	2½/1½	Commerzbank
SWISS FRANCS						
Taiyo Kobe Bank§(a)	150	(½)	100	1993	1½	UBS
Taiyo Kobe Bank§★★(a)	150	(½)	100	1993	1½	UBS
Fujita Corp.§★★(b)	100	(½)	100	1993	n/a	Credit Suisse
Fujita Corp.§★★(c)	100	(½)	100	1994	n/a	Credit Suisse
Final terms fixed on:						
Lion Corp.§★★(d)◆	150	½	100	1993	n/a	Credit Suisse
Sinko Kogyo Co.§★★(e)◆	30	½	100	1993	n/a	Handelsbank NatWest
FRENCH FRANCS						
Credit Suisse Fin.◆	500	8½	101¼	1993	1⅞/1¼	Societe Generale
GUILDERS						
Browning Ferris Ind.◆	125	6½	100½	1993	1⅞/1¼	CSFB Nederland
McDonald's Corp.♠(f)◆	150	½	98	1993	2/1¼	Amro Bank
YEN						
ASLK-CGER IFICO‡◆	4bn	(g)	101⅜	1992	1⅜	LTCB Int.

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ♠With currency warrants. ◆Final terms. Indicated put options: a) 31/3/91 at 108½ to yield 3.87%. b) 31/3/91 at 108½ to yield 3.925%. c) 31/3/91 at 108¾ to yield 4.023%. Put options fixed: d) 30/6/91 at 109½ to yield 3.854%. e) 30/6/91 at 109¼ to yield 3.807%. f) Each Fl10,000 has 27 warrants with right to buy $500 with DM between Nov.1988 and Oct. 1990. g) Japanese long-term prime rate plus 1%. Redemption linked to Nikkei stock index.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94¼	94⅝	+0⅛	+0¼	9.45
All Nippon Air 9⅝ 97	100	†96	96½	+0¼	+0¾	10.02
Amer. Brands 8⅝ 92	150	†96½	97	−0¼	−0½	9.92
A/S Eksportfinans 7⅜ 93	100	†93⅞	94¼	−0¼	+0¼	9.11
A/S Eksportfinans 7¼ 92	150	94⅝	95	0	+0¼	9.18
Barc. Bk. Fin. 10¼ 89	200	†101¼	101⅝	−0⅛	0	8.92
B.F.C.E. 7 92	150	93⅝	94⅛	+0⅛	+0⅜	9.10
British Telecom 7⅝ 96	250	90½	91¼	0	+0¼	9.32
Cal.Natl.Telecom 8½ 93	160	†97	97½	0	0	9.27
Canada 9 96	1000	—	—	—	—	—
Canadian Pac 10¾ 93	100	†102⅞	103⅜	+0¼	+0¼	9.82
C.C.C.E 7⅛ 91	115	†94¾	95¼	0	+0¼	9.06
C.C.C.E 9¼ 95	300	99¼	99¾	+0¼	+0⅜	9.34
C.N.C.A 7¼ 91	150	94⅝	95⅛	+0⅛	+0⅜	9.14
Credit Lyonnais 9 91	200	99⅞	100⅛	+0⅛	+0⅛	8.95
Credit National 8¼ 93	200	96½	97	+0¼	+0½	9.13
Credit National 7⅜ 92	100	94½	95	0	+0¼	9.14
Credit National 7¼ 91	150	94⅝	95⅛	+0¼	+0¼	9.15
Dai-Ichi Kan 9⅝ 92	150	100⅞	101⅛	−0⅛	−0⅛	9.31
Denmark 7⅛ 92	500	94	94⅛	0	+0½	9.18
E.E.C. 7 91	100	94½	95	+0⅛	+0⅜	8.96
E.E.C. 7¼ 93	250	93¼	93⅝	0	+0¼	9.12
E.E.C. 8 90	350	98⅝	98⅞	+0⅛	+0¼	8.90
E.I.B. 7⅝ 93	100	93½	94	0	+0⅛	9.18
E.I.B. 9⅝ 97	150	99⅞	100¼	+0⅛	0	9.37
Elec.De France 9 98	200	96⅞	97⅜	+0⅜	+0¾	9.46
Finland 7⅜ 97	200	90⅝	91⅛	+0¼	+0½	9.50
Finland 7½ 93	200	93⅝	93⅞	0	+0⅜	9.19
Fmw.Exp.Cd. 8½ 92	200	97⅞	98¼	+0⅛	+0¼	9.17
Ford Motor Credit 8 91	250	97⅝	97⅞	+0⅛	+0¼	9.08
Gen Elec Credit 10¼ 00	200	100⅜	100⅞	+0⅜	+0⅛	10.14
G.M.A.C. 8 89	250	99¼	99½	−0⅛	+0¼	0.09
Gen.Mtrs.Corp. 9½ 92	200	99⅜	99⅞	0	0	9.22
Halifax BS 9½ 93	200	†100¼	100⅝	0	+0⅜	9.37
Hoesch 8¼ 97	100	†92⅞	93¼	−0¼	0	9.47
Italy 9 90	1000	100½	101	+0⅛	+0⅜	8.57
L.T.C.B of Japan 8 91	100	97⅜	97¾	−0⅛	+0¼	9.01
L.T.C.B.of Japan 8 97	200	90⅛	90½	+0⅛	+0⅜	9.75
Mercds-Benz Cd. 8½ 95	100	†96	96½	+0⅛	−0⅛	9.28
Metropolis Tokyo 9½ 93	200	101⅛	101⅝	+0⅛	+0⅜	9.07
Morgan Guaranty Tst. 7 90	150	97¼	97¾	0	0	8.87
Norway 8¾ 93	500	98⅞	99⅜	+0⅛	+0½	8.97
Pepsico Inc 7⅞ 93	200	†93⅝	94⅛	+0⅛	+0⅜	9.04
Portugal 8¼ 91	300	97⅜	97⅞	0	+0⅛	9.45
Prudential Crp. 8¾ 94	125	98½	99⅛	+0⅛	+0½	9.02
Qantas Airways 10⅞ 95	140	103⅞	104⅜	+0¼	+0⅜	9.50
Saskatchewan 10⅞ 92	100	104⅛	104⅜	+0⅛	+0¼	9.16
State Bk.S Aust 9¼ 93	100	99⅜	99⅞	0	+0¼	9.37
Swed Exp Cred 7¼ 91	100	†94⅝	95⅛	+0⅛	+0⅜	9.15
Swed Exp Cred 10 92	100	†102	102½	+0⅛	+0¼	9.21
Sweden 7 91	250	94⅞	95⅜	+0⅛	+0⅜	8.91
Sweden 7 92	250	†94	94½	0	+0¼	9.03
Sweden 8¾ 96	200	96½	97	+0⅛	+0⅜	9.35
Sweden 8½ 92	200	†98⅜	98⅞	+0⅛	−0⅜	8.92
Victorian Rep 11⅜ 92	150	106⅝	107⅛	0	+0⅜	9.24
World Bank 7 92	300	†94¼	94⅝	+0⅛	+0⅜	8.96
World Bank 9 97	300	97⅞	98⅜	+0⅛	+0⅛	9.31
Yasuda Trust Fin 8½ 93	100	96½	97⅛	−0⅛	+0⅜	9.36
Average price change... On day +0⅛ on week +0¼						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅛	101⅝	+0¼	+0½	5.72
Avis Fin.SVS 5⅞ 92	100	100	100½	−0¼	−0⅛	5.78
Bank of Tokyo 5¾ 93	100	99½	100	−0¼	+0¼	5.81
Central BK. Turkey 7 92	200	103¼	103¾	+0¼	+0⅜	5.99
Commerzbank o/s. 5⅜ 93	300	99¼	99¾	+0⅛	0	5.50
Depasa Int. 6½ 97	200	99	99½	+0⅛	+0⅛	6.23
E.I.B 5½ 98	150	96¼	96⅝	0	+0¼	5.99
E.I.B 6 97	300	99¾	100¼	0	+0⅜	5.99
E.I.B. 6⅛ 96	300	101¼	101⅝	−0⅛	+0⅜	5.89
E.I.B. 6¼ 97	400	100⅞	101⅛	+0¼	+0⅜	5.98
E.I.B. 6⅞ 95	300	105¼	105⅝	+0⅛	+0¼	5.90
Euro.Coal & Steel 5⅞ 97	175	98¾	99⅛	0	+0⅜	6.04
Eurofima 6¼ 96	100	103⅛	103⅜	−0⅛	+0⅜	5.67
Elec De France 5⅞ 97	300	97⅞	98⅛	+0⅛	+0⅛	6.07
Forsmark Krtg. 5½ 93	200	97⅛	97⅝	0	−0¼	5.78
I.A.D.B. 6 97	200	99⅛	99½	+0⅛	+0⅛	6.09
Japan Dev. Bk. 5⅞ 95	300	†97	97½	−0⅛	+0⅜	5.88
Japan Finance 5⅞ 97	100	96⅞	97⅜	0	+0⅜	6.19
Ireland 6½ 97	300	100⅛	100⅝	+0⅛	+0⅜	6.43
Korea Dev BK 6⅝ 93	100	102¼	102¾	+0⅜	+1	5.98
Malaysia 6¼ 94	150	99½	100	0	0	6.30
Nat. West BK. PLC 6 98	300	†96⅞	97⅜	0	−0⅛	6.44
Nippon Telg.&Tel. 6 95	400	†100⅝	101	0	−0⅛	6.03
Oesters. Kontbk. 5 93	300	97⅞	98⅜	+0⅛	+0⅜	5.49
Portugal 5⅞ 92	150	100⅜	100⅞	−0¼	+0⅜	5.56
Portugal 6⅝ 95	150	102⅛	102⅝	+0⅛	+0⅜	6.18
Privatbanken 5¼ 93	150	96⅞	97⅜	0	−0⅛	6.00
Royal Insurance 5½ 92	300	99⅞	100⅜	+0⅛	−0⅛	5.45
Soc Cent. Nuclear 7¼ 95	150	103⅜	103⅞	−0⅛	−0⅛	6.56
Turkey 6½ 95	500	†98	98½	0	0	6.83
Westlb. Finance 5 93	200	†97⅞	98⅛	0	+0⅜	5.55
World BK. 6¼ 97	600	101⅛	101½	−0⅛	+0¼	5.98
Average price change... On day +0 on week +0¼						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101½	102	+0¼	+0⅛	4.72
Asfinag 5 03	100	†100¼	101	0	−0¼	4.93
B.F.C.E. 4½ 98	200	†98⅞	99	+0¼	+0¼	4.64
B.M.W.Fin.Neth. 5 13	150	†95¼	95½	0	+0¼	5.34
Britannia B/S. 4¼ 94	100	†97¾	98	−0⅛	0	4.71
CIR. Int. W/W 3 93	125	†100	100½	+0⅛	+0⅛	2.97
Credit Lyonnais 4⅞ 00	100	†97⅝	98	+0¼	0	4.99
E.I.B 4⅝ 98	150	†99	99⅞	−0⅛	−0¼	4.70
Fletcher Chall. 4⅞ 98	150	†96½	97	0	0	5.31
Kobe City 4⅝ 98	150	†98⅝	99	0	+0⅛	4.77
Leeds Perm. B/S. 4½ 93	200	†98	98½	+0⅛	−0⅛	4.56
Malaysia 5¼ 98	100	†98⅝	99	0	0	5.40
Maxwell Comm.Crp. 5 95	150	†102	102¼	−0⅛	−0⅛	4.62
Nationwide Ang.B/S. 4 93	200	†97	97¼	+0⅛	0	4.69
Nippon Telg.&Tel.4¼ 95	200	†99	99⅛	−0⅛	−0⅛	4.40
Oesters. Ktbk. 5 03	75	†99⅞	100	+0¼	+0⅛	5.01
Rep.National Bk. 4 93	150	†96	96½	−0¼	−0¼	4.43
Thailand 4⅝ 95	200	†95⅜	96⅛	−0⅛	+0¼	5.34
World Bank 5 03	150	†99⅞	100¼	0	+0⅜	5.00
Average price change... On day 0 on week +0						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101½	101¾	+0⅛	+0¼	4.93
Belgium 4⅝ 94	45	97⅛	97½	+0¼	+0⅜	5.17
Canada 4⅝ 92	80	98¼	98½	0	+0⅜	4.86
Elec. De France 5⅛ 94	20	99⅞	100¼	+0¼	+0⅜	5.12
Ireland 5⅛ 93	30	99¼	99¾	0	+0⅛	5.24
Norway 5⅛ 95	50	99⅛	99⅝	+0⅛	+0½	5.21
Rep. of Italy 5⅜ 92	150	102⅝	103	+0⅛	+0⅜	4.80
Sweden 4⅝ 93	50	98¼	98½	0	+0⅛	5.02
World Bank 5½ 92	50	102⅜	102⅝	+0⅛	+0¼	4.79
Average price change... On day +0⅛ on week +0⅜						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS 10¼ 93 £	50	98¾	99¼	0	+0⅛	10.51
Alg. Bk. Ned. 5½ 92 FL	150	97¾	98¼	0	0	6.15
Amro Bank 6⅛ 92 FL	150	100¼	100⅝	−0⅛	0	6.09
Aust.Ind.Dev. 12⅞ 93AS	100	98	98½	−0¼	+0⅜	13.35
Barc. Bk. 10¼ 97 £	250	96⅛	96⅝	0	+0⅛	10.88
BP Capital 9¾ 93 £	100	96¼	97¼	0	+0⅜	10.58
British Airways 10 98 £	100	94¼	94¾	+0⅛	+0¼	10.94
C.I.B.C.Mort. 10¾ 93 C$	100	†99	99½	0	+0¼	10.93
Comm.Bk.Aust. 12¾ 93A$	100	96¼	96⅝	0	−0⅜	13.53
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅜	100¾	−0⅛	0	6.10
Coop.Ctr.Rabo.6 92 FL	200	99⅞	100⅜	0	+0⅛	5.95
Denmark 7¼ 92 ECU	100	101½	102	+0⅛	+0⅜	7.12
Dixons 11 95 £	90	†98½	99	0	+0¼	11.45
Deut.Bk.Aust.12⅞ 95 A$	70	99⅛	99⅝	+0⅛	+0⅛	12.85
Eastman Kodak 13 90 A$	100	98⅛	98½	0	−1	14.07
E.I.B. 7 96 LF	100	†98¼	99¼	0	0	7.22
Elec.France 10¼ 95 C$	125	†98¾	99¼	0	0	10.44
Euratom 7⅜ 97 ECU	145	97⅛	97½	0	+0⅜	7.82
Eurofima 7½ 92 FL	50	†104⅛	105¼	0	0	5.93
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†98	98½	0	+0¼	10.31
Ford Cr.Can.10¾ 93 C$	100	†100⅝	101⅛	0	+0½	10.45
Gillette Can. 9⅝ 93 £	70	†92½	93	+0⅜	+0¼	11.63
G.M.A.C. 9¾ 93 C$	150	†97¼	97¾	0	+0¼	10.43
G.M.A.C. 9¼ 92 C$	75	†94¼	95¼	0	0	11.05
G.M.A.C Aus.Fin.14 90 A$	50	100	100½	0	+0⅛	13.73
Halifax BS 10⅜ 97 £	100	96½	97	0	+0½	10.96
Imp Chem Inds 10 03 £	100	95⅞	96¼	−0⅛	+1¼	10.51
Inv.Industry Int.10 93 £	60	97	97⅜	0	0	10.80
Lloyds Bank 10¼ 98 £	150	94⅜	94⅞	+0⅛	+0¼	11.18
Montreal Tst.10¾ 93 C$	100	†99⅝	100⅛	0	+0¼	10.76
Mtge.Bk.Den. 6¾ 91 FL	100	100½	101	0	0	6.38
Nat. West.Bk.13⅛ 92 A$	50	†97⅝	98⅛	0	−0¼	13.80
Nationwide BS 10⅛ 93 £	75	97⅜	97⅞	+0⅛	0	10.78
Ned.Midd.Bank 6 92 FL	150	99⅜	99⅞	−0⅛	−0⅛	6.15
New Zealand 9½ 93 £	100	95⅜	95⅞	0	+0¼	10.73
New Zealand 7⅞ 93 ECU	200	100¼	100⅝	−0⅛	+0⅛	7.63
Oesters.Ktbk.13⅝ 94 A$	75	100¼	101⅛	0	−0½	13.35
Prudential Fin.9⅞ 07 £	150	89⅞	90⅝	−0¼	+0⅝	10.60
Royal Bk.Scot.10⅝ 98 £	125	96½	97	+0¼	+0⅛	11.22
Saskatchewan 9⅞ 91 C$	150	†98⅞	99⅜	0	+0½	10.22
S.D.R. 7¾ 95 ECU	90	99⅝	100	−0⅛	+0¼	7.81
World Bank 5⅜ 92 FL	100	99⅝	100	0	0	5.86
World Bank 13⅜ 92 A$	100	†100½	101	0	+0⅜	13.07
Zentrspk. 13¼ 93 A$	75	98½	99¼	0	0	13.57

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.49	99.54	21/01	10.99
Belgium 91 US	0	100.46	100.56	21/02	9
Britannia 5 93 £	0⅛	99.83	99.88	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.60	99.73	22/02	8.94
Citicorp 98 US	†0¼	97.55	97.86	30/11	8.94
EEC 3 92 DM	†0	100.82	100.92	22/02	5.63
Halifax BS 94 £	.1	99.74	99.79	9/11	11.16
Invt. In Industry 94 £	0	99.93	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.98	100.03	13/01	10.44
Midland Bank 01 £	.1	95.62	96.62	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.86	99.91	30/09	10
New Zealand 5 97 £	.07	99.75	99.85	18/11	11.62
New Zealand 5 01 US	0	99.95	100.05	4/02	8.62
State Bk. New. 98 US	.188	100.36	100.46	13/02	8.87
Woolwich Equit.BS. 93 £	†0⅛	99.79	99.84	13/10	10.44
Woolwich 5 95 £	0⅛	99.64	99.70	21/11	11.62
Average price change... On day −0.24 on week +0.06					

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	102¼	103¼	−0¼	21.93
Alco Health 6¼ 01 US	†7/86	26.25	102	104	+2	12.66
Amer. Brands 7⅞ 02 US	9/87	56.7	103¼	104¼	+0⅞	9.96
Ashikaga Bank 2⅛ 02 US	4/87	967.	126¼	128	−0¼	2.90
Asics 5 92 DM	12/83	472.7	189½	191	+0⅞	7.77
CBS. Inc. 5 02 US	4/87	200.	94¼	95¼	−1⅛	10.59
Fujitsu 3 99 US	5/84	1106.	246	247	−7½	−3.91
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	129⅝	131⅛	0	1.84
Land Secs. 6¾ 02 £	6/87	6.72	92¾	93¼	−0⅜	10.52
MCA Inc 5⅛ 02 US	9/87	69.62	79⅞	80⅝	−0⅜	27.86
Minolta Camera 2⅞ 94DM	2/86	1004.	98⅞	99⅝	−0⅜	21.75
Mitsubishi Bk.1¾ 02 US	9/87	3157.	110¼	112	+2⅛	5.17
Mitsui trust 2⅞ 01 US	10/86	1903.	118	119½	+0⅜	2.73
Next Plc 5¾ 03 £	11/87	4.3	99	100	0	156.28
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	104¼	106¼	−0⅛	6.03
Omron Tateisi 2⅞ 02 US	4/87	1310.	182	183½	−7⅜	−1.73
Primerica 5⅞ 02 US	4/87	66.75	66⅝	67⅝	+0⅜	57.21
Ranks Hovis 4½ 03 £	†1/88	3.5	110½	111½	0	2.51
Redland 7¼ 02 £	1/87	5.4	87⅞	88⅞	−0⅛	14.17
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	96⅛	97⅛	−0⅛	21.53
Texas Inst. 2⅞ 02 US	9/87	82.87	73⅝	74⅝	−0⅛	50.27
W.R. Grace 6¼ 02 US	9/87	42.12	78⅝	79⅝	−0⅛	32.01

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Oslo acts on venture capital shortfall

By Karen Fossli in Oslo

CONCERN OVER the inability of Norwegian companies to raise venture capital domestically has prompted the Norwegian ministries of industry and finance to appoint a 10-member ad hoc group whose mandate will be to identify measures which could encourage the supply of this capital.

A report, which is to be delivered on November 15, is to identify immediate actions which can be taken to remedy the problem.

The inability to raise the capital results from high interest rates and a lacklustre stock market performance since the world stock market crash nearly a year ago.

One measure to be studied by the group could involve tax-incentive encouragement for venture capital suppliers, while another calls for an evaluation of the benefits which could be had from the establishment of a joint state/private venture capital company.

The Oslo stock market has been unable to return to the lofty levels enjoyed before Black Monday and suffers from a lack of long-term shareholder commitment, competition from high-yielding bonds and a marked lack of liquidity.

The problem has been aggravated by bank divestment. The banks have been forced by huge losses to cut their portfolios and they now account for 4.9 per cent of the market, from 5.9 per cent just before the crash.

Analysts believe there will be little chance of a market recovery in Oslo as long as an 11.2 per cent dividend yield gap between bonds and shares continues.

In addition, claims Mr Tor Hernaes, a member of the ad hoc group, there are about 20 Norwegian venture capital companies "which haven't been functioning as they were before the crash."

Mr Hernaes says the capital suppliers to projects for which there are high expectations, but in which the risk is high, have become short-term players.

Another report by the group, due on March 15 next year, is to identify what long-term actions can be taken. The group is headed by Mr Jarle Bergo, a chairman in the central bank.

In mid-September, the industry ministry announced plans to ease restrictions on foreign ownership in industrial companies in an attempt to bring in capital.

The proposal, which must be approved by the Storting (Norway's parliament), calls for a boost in foreign ownership of voting shares from 20 to 33 per cent and a doubling in the size of a single voting share stake to 20 per cent.

Traditionally, foreign ownership has been restricted to 10 per cent in banks and insurance companies, 40 per cent in shipping companies and 20 per cent in industrial companies.

Tunisia plans $196m US issue

By Francis Ghiles

TUNISIA IS arranging a US domestic bond issue of $196m, 90 per cent of which is guaranteed by the US Government through Citibank in New York.

The proceeds will help refinance part of the debt Tunisia has incurred for the purchase of US military equipment.

The issue is split into two tranches. One amounts to $171m with a final maturity in 1996 and carrying a fixed-interest rate of 9.8 per cent, while the second's final maturity is 2014 and it carries a fixed-interest rate of 9⅝ per cent.

The issue has been Triple A rated by Standard & Poor's and Moody's.

INTERNATIONAL CAPITAL MARKETS

US Treasuries drift lower as caution grips traders

By Janet Bush in New York and Stephen Fidler in London

US TREASURY bonds drifted lower in New York yesterday, reversing Monday's modest gains as traders remained cautious ahead of Friday's unemployment figures.

In late trading, prices were quoted around ⅛ point lower. The Treasury's benchmark 30-year issue outperformed the rest of the yield curve, falling only $\frac{1}{32}$ point to yield 8.95 per cent at midsession, on speculation that the Treasury will not auction a long bond at its quarterly refunding in November.

Congress is expected to adjourn by Saturday, leaving very little time to pass the technical corrections bill needed to give the Treasury authority to sell more bonds. Without that authority, the Treasury cannot sell any new long bonds.

Although Senate leaders in both parties have said they want to get the bill through this week, there is still no agreement on limiting the number of amendments to the bill. This leaves very little time for a House and Senate conference to work out differences between their two versions.

The prospect of no long bond in November has been lending support to the market.

The other major factor underpinning bonds turned somewhat negative yesterday as crude oil prices staged a modest technical recovery on the New York Mercantile Exchange. Crude for November delivery was quoted 10 cents a barrel higher at midsession at $13.16.

The fading possibility of a discount rate rise in Japan is underpinning the government bond market, which made further gains yesterday after the benchmark No 105 bond breached 5 per cent on Friday.

Yen stability against the dollar – along with stable prices in Japan – has provided support for the view that there was no need for a rise in the discount rate from 2½ per cent.

GOVERNMENT BONDS

The Bank of Japan yesterday appeared to back this view as it massaged short-term interest rates lower, driving one-month Treasury bill rates ⅛ point down to 3$\frac{15}{16}$ per cent.

This move, which reversed a series of tightening measures since the summer, suggested that, at the very least, the central bank would not resist the seasonal influences which tend to push interest rates down at this time of year.

The No 105 bond closed about 4.94 per cent, compared with 4.98 per cent on Monday night in London, having finished in Tokyo at 4.985 per cent.

Resistance to further gains has appeared at 4.93 per cent.

UK GOVERNMENT bond prices ended the day mixed, with prices weaker at the short-end but gains of almost ¼ point at the longer end, where a shortage of stock continues to prop up the market.

The market's recent rally has narrowed the so-called reverse yield-gap between government bonds and shares to levels not seen since last March.

The gap, down yesterday to below 2.10 percentage points, is closely watched by some analysts and investors.

Such narrow yield gaps generally do not last for too long, and although the predictive powers of the measure are admittedly limited, some institutional investors have been known to switch out of gilts and into equities as the gap approaches 2 points.

However, a word of caution. The gap is traditionally measured, says Mr Bill Cuthbert of James Capel, against the 25-year government bond index. The shortage of stock at the long end means that yields on these bonds are unnaturally low.

IN THE West German market, prices in the Bundesobligationen market, opened to foreigners only this week, slipped 10 to 15 basis points, with the longer-term Bunds dropping 10-25 basis points in thin trading.

A resistance to yields falling below 6¼ per cent at the longer end of the market was cited as a reason for the market's reversal, since investors remain unconvinced the market can rally without a further improvement in the New York market.

The Bundesbank announced a new repurchase agreement for today at a fixed rate of 4¼ per cent, the rate prevailing for some time.

The August 6¾ per cent Bund of 1998 was fixed at 101.35, 15 basis points down on Monday.

● The French Treasury said yesterday it planned to raise about FFr9bn of fresh cash at its regular weekly debt auction on October 10.

The Treasury added that the sale would cover roughly FFr4.5bn of 13-week bills, FFr2bn of two-year notes and FFr2.5bn of five-year notes.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-14	-2/32	10.23	10.13	10.70
		8.750	9/97	93-25	+1/32	9.82	9.85	10.21
		9.000	10/08	98-19	+7/32	9.15	9.22	9.51
US TREASURY		9.250	8/98	102-16	-3/32	8.86	9.00	9.06
		9.125	5/18	101-21	-9/32	8.96	9.05	9.14
JAPAN	No 105	5.000	12/97	100.2801	+0.254	4.94	5.03	5.39
	No 2	5.700	3/07	105.2057	+0.286	5.15	5.26	5.47
GERMANY		6.500	6/98	99.7250	-0.225	6.46	6.51	6.62
FRANCE	BTAN	8.000	7/93	101.0210	+0.018	8.47	8.52	8.72
	OAT	8.500	9/97	98.1000	-0.025	8.64	8.72	9.13
CANADA		9.500	10/98	97.3500	+0.100	9.92	10.09	10.19
NETHERLANDS		6.500	7/98	100.6250	+0.050	6.35	6.43	6.55
AUSTRALIA		12.500	1/98	103.0981	-0.714	11.93	11.89	11.83

London closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

Bank tender of T-bills to raise Ecu900m

By Norma Cohen

THE BANK of England said yesterday its first tender of Ecu Treasury bills, scheduled for next Tuesday, will raise Ecu900m, a larger sale than had been anticipated.

Tuesday's tender will comprise Ecu200m each of one- and six-month bills and Ecu500m of three-month bills. The Bank has scheduled six tenders, each to be held on the second Tuesday of each month, but subsequent tenders will not necessarily be of the same size.

When it first announced its plans for Ecu bill auctions, officials said up to Ecu2bn of bills would be issued. While demand is still uncertain, the size of the initial auction suggests the Bank's soundings indicated reasonably strong demand.

Outstandings of more than Ecu2bn are clearly possible if the issues are taken up.

Buyers of the bills are expected mainly to be other central banks or supranational organisations, but also international company treasurers with operations in a number of European countries.

The Bank has selected 29 market makers to provide active support for the tenders and to help promote secondary market liquidity. From its point of view, an ideal auction would presumably leave a "float" of bills to be traded among the dealers.

Italy is the only other country to offer short-term bills in Ecu, and those are of limited attraction to investors because withholding taxes are deducted on interest and because they settle in lira.

Money-market analysts' estimates of the expected yield on the notes vary, although most suggest they will yield about ¼ percentage points below money-market rates. Three-month Ecu London interbank offered rates are now at 7$\frac{5}{8}$ per cent.

In a recent study, analysts at Daiwa Europe said it was impossible to be certain about the valuation of the new instruments because of the lack of similar maturity securities in some of the Ecu's component currencies, such as guilders or D-Marks.

Deutsche Bank spreads its roots

Haig Simonian reports on an expansion drive in peripheral markets

HAVING expanded its investment banking operations in London, New York and most recently Tokyo, Deutsche Bank, West Germany's biggest bank, is on the prowl for opportunities in other important, but more peripheral, markets.

Last year it bought a 50 per cent share in McClean McCarthy, a small Canadian securities house. That stake has since been raised to full control.

It has also gained full control of MDM, a small Portuguese bank.

Last week, the spotlight turned on Australia, with Deutsche Bank taking a 50 per cent share in Bain & Co, one of the country's largest brokerage and financial services groups. Bain has about 600 employees and 12 domestic offices, as well as subsidiaries in London, New York and Tokyo.

From the German side, the motives for the deal are clear. Worldwide investment banking is one of Deutsche Bank's three key pillars, along with commercial banking and consultancy.

Its fledgling Australian operation has already made a good name for itself, avoiding many of the pitfalls which have blunted the profitability of some of the other new foreign banks in Australia.

According to the bank, a stake in Bain will help it sell Australian securities in Europe and European paper to Australians. The bank has already established a strong presence in Australian dollar Eurobond deals, with many issues being snapped up by coupon-conscious German retail investors.

However, finding domestic partners for swap issues has proved difficult and may well have blocked many profitable deals. Tapping the Bain network of domestic contacts should make that easier.

The purchase will also give Deutsche Bank a greater access to Australian government bonds, a sizable market which has grown in importance in recent years.

Bain is one of Australia's top three or four traders in domestic government paper and it is probably the biggest trader outside Australia. Moreover, its depth in this market could indirectly help Deutsche Bank in its Australian dollar Eurobond trading.

But while Bain's prestige and presence make it an obvious choice for the Germans, other aspects of the deal have surprised some bankers.

Bain has taken a battering since the stock market crash. Its equity side, which is less eminent than the bond operation, lost heavily in the crash.

Since then, there have been rumours of losses on futures and options positions in the domestic fixed-income market.

As one banker says: "It's in a hell of a mess."

Rumours have circulated in Australia that Bain's partners have been obliged to put money into the business and have been encouraged by the banking authorities to seek an outside alliance quickly.

THUS, pre-crash valuations of the business of about A$200m (US$157.5m) have been scaled down to about half as much, meaning that Deutsche Bank may have paid only about A$50m for its half stake, if that.

"The partners have tried to find the highest price consistent with freedom," says one observer.

Among suitors previously tipped were McLeod Young Weir and a number of Japanese houses, including Industrial Bank of Japan.

Will the marriage with Deutsche Bank work?

A banker, admitting his surprise, thinks it will be difficult to match Bain's independent style with the German bank's tight-lipped approach.

Leaving control in the hands of the existing management should help, although Deutsche Bank will also have its own representatives on the board.

But the bigger problem may be internal morale in the company.

A large number of staff was shed after the crash, and relations between Bain staff and partners are not believed to be at their best. Arguably, the arrival of Deutsche Bank may prevent rather than trigger a walkout.

Profitability could also be under pressure. Turnover in the Australian fixed-income market has fallen sharply.

Moreover, German investors have recently been selling rather than buying Australian dollar paper as many take their profits on the back of the strong Australian currency. If that trend continues, associating with Bain would help the bank sell the paper back into the Australian domestic market, if nothing else.

Where will Deutsche Bank strike next in its drive to expand its international investment banking and broking interests?

Analysts say an acquisition of a broker in France must be a key target now.

Only the difficulty of finding a large enough company which wants to sell out at a reasonable price has stood in the way so far.

Postipankki barred from brokering on Helsinki SE

By Olli Virtanen in Helsinki

POSTIPANKKI, Finland's post office bank, was suspended yesterday from brokering on the Helsinki Stock Exchange for two months, after the bourse's board of management found the bank had given false information about its portfolio holdings. The decision, which is the harshest the HSE board can impose, comes into effect immediately.

The punishment centers on Postipankki's dealings last summer in the shares of Leipurien Tukku (LT), the farm products wholesaler. Postipankki bought heavily into the company for several months but refused to tell the size of its holding to the HSE.

Under HSE rules, an investor has to disclose its holding when it exceeds 10 per cent of the share capital in a listed company, or when the holding increases by more than 5 per cent. In August, Postipankki's share in LT topped 32 per cent but in spite of specific requests by Mr Matti Mäenpää, the HSE president, Postipankki denied its portfolio in the LT shares had risen above the limits of the disclosure rules.

The suspension is the second blow in the past two weeks for Postipankki stemming from the LT shares. The buying spree, which caused the LT share price to rocket, resulted in a FM150m ($34.1m) paper loss for Postipankki when the price of LT shares plummeted.

As a result, Postipankki sacked Mr Ilpo Santala, president and chief operating officer of the bank.

Reserve fund to guarantee HK futures contracts

By John Elliott in Hong Kong

A RESERVE fund of not less than HK$100m (US$12.8m) is to be set up by October 31 next year to guarantee contracts on Hong Kong's Hang Seng Index futures market.

The Hong Kong Government is to continue its support until next October with a residual revolving facility of HK$100m. Overall, the arrangements will reduce the Government's contingent liability from HK$498.5m to HK$100m.

The futures exchange collapsed during the stock market crash a year ago and was bailed out in a government-supported rescue.

Since then, turnover has fallen to between 200 and 300 contracts a day, well below the 5,000 contracts regarded as a minimum to make the market viable.

Mr Wilfrid Newton, chairman of the exchange, said yesterday: "The package will enable the reconstitution of the HKFE to proceed."

The new reserve fund will be built up by next October, with deposits in instalments from brokers and other clearing members of the exchange. In addition, the brokers and shareholder lenders will be required to recapitalise their futures subsidiaries to adequate levels.

Yesterday's package was the result of a compromise agreement reached by the Government with banks and large brokerage houses involved in the exchange and the Hong Kong Futures Guarantee Corporation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday October 4 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Oct 3 Index No.	Fri Sep 30 Index No.	Thu Sep 29 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (125)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (711)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tue Oct 4	Day's change %	Mon Oct 3	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	37	25
Corporations, Dominion and Foreign Bonds	17	12	20
Industrials	368	412	819
Financial and Properties	155	130	378
Oils	25	29	51
Plantations	0	3	10
Mines	31	46	116
Others	57	100	125
Totals	702	769	1,544

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Sep 26
● Last Dealings Oct 7
● Last Declarations Dec 22
● For settlement Jan 9

For rate indications see end of London Share Service

Stocks dealt in for the call included MB Group, United Guarantee, Allied Lyons, RTZ, Scottish and Newcastle, Libanon, Singer and Friedlander, Mrs Fields, Hanson, Lonrho, Multitone, Consolidated Gold Fields, Vickers, Ultramar, Oliver Resources, Gateway and Smith and Nephew. Puts were arranged in Trinoco, ICI and Singer and Friedlander.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Contracts 43,016 Calls 25,129 Puts 17,887

FT-SE Index Calls 1383 Puts 6006

*Underlying security price.

UK COMPANY NEWS

Sears increase to £102m welcomed by the City

By Vanessa Houlder

SEARS, retailing, betting and housebuilding group, yesterday announced a near 10 per cent increase in pre-tax profits to £102.3m, against £93.3m, for the six months to July 31. Turnover increased from £980m to £1,353m.

The results were at the top end of City expectations and the shares rose by 5p to 131p.

Earnings per share improved by 9.8 per cent to 4.5p. The interim dividend is up 7 per cent at 1.45p (1.35p).

Mr Geoffrey Maitland Smith, chairman, reiterated his belief that the persistent bid talk was unfounded. He said that the group had a good relationship with the Al-Fayed brothers who hold a 10 per cent stake.

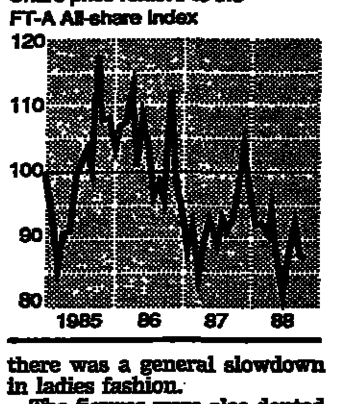
The results were depressed by the costs of financing the Freemans mail order company, acquired in January, which cost £20.2m in interest charges against a £13m contribution to trading profits.

Mr Maitland Smith said that the restructuring of Freeman's was progressing well and it was still expected to make its first profit contribution in 1991. Freemans was now increasing its selling hours, launching new catalogues using Sears' brands and increasing its emphasis on direct mail. It was too early to quantify the losses resulting from the postal strike, he said.

Stores, fashion and home shopping made trading profits of £37.4m (£23.6m). Selfridges reported flat profits while

Sears

Share price relative to the FT-A All-share index



there was a general slowdown in ladies fashion.

The figures were also dented by a drop in profits from £12.5m to £9.5m at William Hill, the betting operation. Mr Michael Pickard, chief executive, blamed the downturn on the weather, which, he said, increased the success of favourites in winning races.

Footwear retailing increased profits from £36.1m to £41.6m, after a 4.5 per cent increase in sales and margin improvements resulting from the disposal of loss-making stores.

Housebuilding and property contributed £21.4m compared with £13.0m last year, reflecting the buoyant housing market. In the second half, there are expected to be development profits of about £10m.

There were £9.8m of property-related profits included as other income and exceptional items. Gearing has increased to 45 per cent and is expected to diminish steadily

● COMMENT

In recent times, Sears has *looked like a classic two-way* bet. Either the company deserved a re-rating thanks to its own restructuring efforts or there would be a bidder knocking at the door. With these better-than-expected results, however, this argument has begun to lose its edge. Takeover speculation shows some sign of cooling, which makes the prospective multiple of over 11.5 - assuming profits of £265m - seem well over the odds. Admittedly, the management has made its mark: it has sold its worse performing assets and has given a welcome shake-up to its shoe selling side. But it is hard to justify an above average rating given the duller outlook for consumer spending, the prospect of no more margin improvements in the shoe business and the likelihood that the benefits of the Freeman deal are still a long way off. Furthermore, the City's prejudice about the company due to its reluctance to separate property gains from shoe profits was not eased by its inability to put a figure on the cost of the postal strike. At 131p, then, the shares seem a touch overpriced - assuming that the much-vaunted bidder is not flushed out by these results.

Meyer raises bid for Travis & Arnold

By Clay Harris

MEYER INTERNATIONAL yesterday raised its hostile bid for Travis & Arnold, another builders' merchant, to £213m.

Meyer's new 600p cash bid, against 500p previously, was tabled only hours after Travis had repeated its preference for an £141m all-share merger offer by Sandell Perkins, another family-run builders merchant.

The swift reaction was intended to forestall any stampede to Sandell by the first closing date next Tuesday, Meyer's advisers indicated. With Sandell claiming 41 per cent acceptances, including 38 per cent irrevocably committed from family and directors, it is not far from a majority.

Travis rejected the new bid as unwelcome, and Sandell's merchant bank dismissed the higher offer as "frankly a rather frenetic response." A higher counter-offer is not being considered at present.

In its defence document, Travis said Meyer's earlier bid did not reflect the target's underlying earnings or recognise its growth prospects.

It also repeated its warning about the capital gains tax liability faced by shareholders' accepting Meyer's cash. Meyer said, however, many small shareholders would be able to accommodate their gains within their CGT allowances. Moreover, a basic rate taxpayer would still come out ahead having paid CGT, compared with the value of Sandell's offer.

Travis also said 37 of its 97 branches were located in the *same towns as branches of* Jewson, Meyer's chain of builders' merchants, implying branch closures.

Meyer said this was "scaremongering" - less than a dozen branches were superfluous.

Travis also disputed that its willingness to merge with Sandell signalled that it was prepared to forfeit independence.

Meyer announced its new terms after the market closed. Sandell shares had ended unchanged at 240p, valuing its offer at 400p, taking into account a proposed special dividend of 16p. Travis shares had added 1p to 502p, and Meyer 4p to 371p.

A curse on all your houses

David Waller on Mecca's latest attack on Pleasurama

BINGO CAN be bad for you. Witness the case of Mr Charles Harper, a former army corporal. He recently appeared before a High Court Judge seeking a divorce from his wife Mabel on the grounds that she squandered money on bingo every day for 38 years. She claimed bingo was an escape from the boredom of being an army wife; he said that it drove him mad.

Fund managers and City analysts following the Mecca Leisure/Pleasurama affair must have some sympathy for Mr Harper. They have become exasperated at the pure volume of arguments emanating from Mecca – one of the UK's largest bingo operators – and the counter-arguments coming back from Pleasurama during the two-month course of the bid. The truth is that, for all the mass of documents which landed on their desks, they were all waiting for the most compelling argument of all: cash.

And yesterday, at last, it came – at least in part. Mecca increased its offer for the ordinary equity to 241p a share, of which 100p is in cash. A full cash alternative would have been preferable, of course, but the increased and final terms have at least served to haul the bid into the realm of financial credibility. According to Mr Roy Owens of stockbroker Kitcat & Aitken, "the original share offer had somewhere between very little and absolutely no chance of success."

However, the fall in Pleasurama's share price yesterday – from 231p to 217p – 24p below the value of Mecca's increased offer – reflects the market's belief that Mecca's new terms fall far short of a knock-out blow. But if the market is far from convinced that the bid will go through, on the other hand, it is not certain that it won't: the shares are still at a substantial premium to the 200p or so that Kitcat believes they would command if there were no bid on the table.

So, the war of words is not over yet. Mr Michael Guthrie, Mecca chairman, and Mr Jeremy Long, finance director, will be obliged to pump out more documents and pay more visits to the institutions. As the October 19 deadline approaches it is a fair bet that the arguments will be listened too a good deal more closely. But, in essence they have not changed from those advanced on Day 1 in the first week of August.

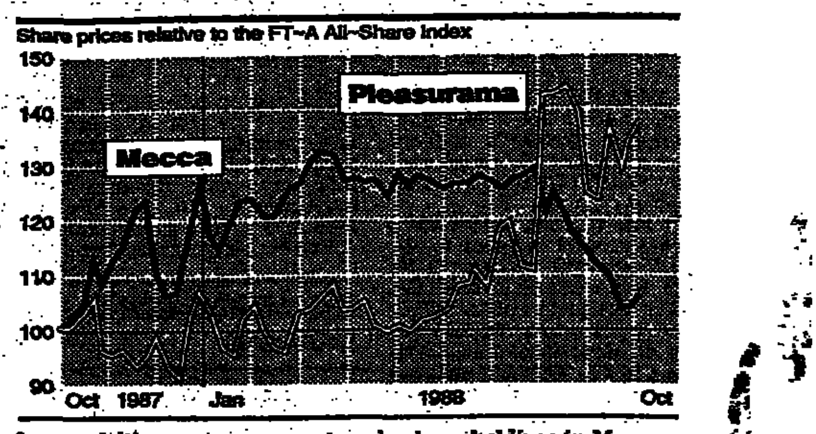
The kernel of Mr Guthrie's argument is that Mecca is far better capable of managing an expanding leisure business such as Pleasurama than Pleasurama itself. He criticises Pleasurama's track record since the beginning of last year when Mr George Martin, its erstwhile chairman and chief executive, left the company after a boardroom row. Mr Guthrie claims that Pleasurama has bought too many companies too quickly and for too much money.

The most severe criticism in this respect is directed towards President Entertainments, bought in August last year for £63m. This acquisition gave Pleasurama a chain of pasta restaurants and hotels and, more importantly, an injection of new management blood in the form of Messrs Robert Earl and Stuart Lee.

Pleasurama credited the pair with possessing the entrepreneurial flair necessary to expand the company's catering interests and reduce its traditional dependence on the whim of the roulette wheel.

For Mecca, the pair are not saviours at all, but spendthrifts who – with their £63m purchase of the Hard Rock chain of restaurants – are encouraging the Pleasurama board in what Mecca claims to be its natural tendency to overpay for acquisitions.

Share prices relative to the FT-A All-Share Index



In its defence, Pleasurama contends that its style of management is more "collegiate" than dictatorial. It argues that its strategy of buying catering companies is the ideal way to reduce the proportion of the company's profits coming from casinos, in much the same way that Mecca is seeking to diversify from its bingo base. It says that Mecca is capable of managing its own little business, but is not equipped to deal with a larger grouping and has no understanding of Pleasurama's range of businesses.

"Ultimately, investors' views of the management of Pleasurama or Mecca are very subjective," wrote Mr Owens in a recent circular. "Both companies have produced good earnings growth in recent years. Mecca's problem is that its management looks to have less breadth than Pleasurama's; and that Pleasurama is not a badly managed company anyway...it can report compound earnings growth of over 30 per cent in the past 10 years.

"We feel positive about the ability of the Mecca management, but could not argue that it has been especially notable for its expansion into new areas."

Institutional shareholders in Pleasurama – many of whom also have holdings in Mecca – are thus faced with a number of conundrums. Do they give the benefit of the doubt to Pleasurama, or do they opt for Mecca's much-vaunted management? And would Mecca's earnings be disastrously diluted if the bid succeeded?

Mecca itself said yesterday that dilution in the first year would be "insignificant," whereas Mr Barry Hardy, a director of Pleasurama, claimed that it would be as high as 25 per cent. Is that a price worth paying for Messrs Guthrie and Long – could they really do that much better than the existing management?

Mr Robert Elliot, a fund manager at Scottish Amicable (one of the largest shareholders in Pleasurama, with a 4.8 per cent stake – and a 3 to 4 per cent holding in Mecca) summed up the dilemma nicely yesterday: "We haven't made up our mind. We're quite happy with Mr Guthrie running Mecca, but we still have to decide whether he can run the whole package."

He raised another, crucial point: "In any situation such as this, we would rather be

MY recommends £41m offer

By Vanessa Houlder

MALBAK, South African industrial giant, and its subsidiary Abercom, yesterday announced a £41m recommended cash bid for MY Holdings, UK industrial holding company.

The bid was described by Malbak, a subsidiary of the Gencor mining house, as a key step in its programme for international expansion. This was set in motion in February *when Malbak bought a majority* shareholding in Abercom, a components company quoted in Johannesburg and London, with a view to developing its overseas interests.

The offer values MY shares at a 31.6 per cent premium to Monday's share price. Following the announcement the shares rose from 76p to close at 101p.

Malbak said that it intended that MY would retain its London listing as this would allow it to use its own shares to finance acquisitions and to motivate employees through equity participation. So far, shareholders holding 7.8 per cent of the shares have indicated that they do not intend to accept the offer. Coast Investment & Development Company, the largest shareholder with 18.7 per cent, has agreed to accept the offer in respect of just 12.5 per cent of its holding.

The bid has been launched through Tawneydown, a newly-formed company. The terms of the offer are 100p cash for each MY ordinary or deferred ordinary share or a loan note alternative. This represents a multiple of 20 times historic earnings for MY, which reported pre-tax profits of £2.8m for 1987. It had assets at the end of the year of £14.2m.

Pernod Ricard pledges to preserve ID's integrity

By Nikki Tait

WITH THE Dublin court hearing over Pernod Ricard's claim to have secured control of a key 20 per cent stake in Irish Distillers due to start on Thursday, the French drinks company yesterday posted its offer document for the Irish group.

Mr Patrick Ricard, Pernod chairman, stressed in the document the intention "to preserve the integrity of Irish Distillers, to which end we will support the continuing development of its brands through Pernod Richard's international distribution chanels and maintain ID's marketing policies."

The document also lists the names of about 200 shareholders – mainly individuals and many of them holding small bundles of shares – who gave irrevocable undertakings to accept the Pernod Ricard offer of 450p between Saturday evening and Sunday, September 3 and 4.

The document makes clear that, aside from the court case itself – which concerns the question of whether FII-Fyffes must sell its 20 per cent stake in Irish Distillers to Pernod following discussions over that weekend – the Panel is currently investigating whether or not any breaches over the Takeover Code occured in the process of securing the irrevocables, and whether any remedies are required.

"*The outcome of the this* investigation may affect the irrevocable undertakings", says the document. However, it adds: "All allegations of breaches of the City Code have been and are strongly denied by Pernod Ricard and its advisers."

It says that it has received only two complaints from shareholders who have entered into irrevocable undertakings and has been informed by the Panel of one additional complaint.

The irrevocable undertakings, which represent 18.8 per cent of the share capital, play a critical role, given the subsequent rival higher offer of 525p from Grand Metropolitan through its GC&C subsidiary.

Pernod goes on to say that the Panel is also investigating allegations against GC&C and its advisers with respect to their conduct over the same weekend.

This, however, brought a sharp retort from the GrandMet camp which said last night that it was not aware of any evidence to substantiate these allegations.

In the document, Pernod says that its total control – including these irrevocables, the FII-Fyffes holding, the 9 per cent Irish Life stake (again the subject of some dispute), and shares owned – would amount to 53.7 per cent of Irish Distillers.

DIVIDENDS ANNOUNCED

Allied Rents § ....fin	†	Nov 9	-	1.5	-
Amstrad ....fin	1†	-	0.5	1.4	0.7
Banner Homes § ....int	1.1	-	-	-	1.3
Billam (J) ....int	1.64	-	1.6	-	4
Charlsearch § ....int	0.219	-	-	-	0.219
Guildhouse § ....int	0.4	Nov 30	-	-	†
Halstead (James)....fin	5	Dec 2	4	8.25	6.5
Harding Group § ....int	1.1	Nov 17	-	-	-
Klein Bens Gilt ....int	33.22‡	Nov 30	29.43	-	122.72
Lowe Howard ....int	4†	-	3.4	-	10
Murray Elect ....fin	0.2	-	0.2	0.2	0.2
Murray Ventures ....fin	3.85	-	3.5	6	5.25
Prestwich ....fin	0.75†	-	0.6	1.25	1
Quadrant ....int	1.25†	Jan 18	1	-	3
Sears ....int	1.45	Dec 12	1.35	-	4.6
Shandwick ....fin	5.5†	-	4	7.5	5.5
Sound Diffusion ....int	0.1†	Nov 28	nil	-	0.601
Tyzack (W A) ....fin	3.5†	Dec 5	1.4	4.5	2.25
Ward Group ....int	1.8	Nov 21	1.5	-	4.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡ Gross.

BOARD MEETINGS

TODAY

Interims- Brown & Jackson, Finlay (J), Floyd Energy, Grampian Hldgs, Harrison & Crosfield, Helical Bar, Higgs & Hill, Jerome (S), Laing Properties, Manor National, Martin (A), Plumb Hldgs, S & U Stores, TR City of London Trust

Finals- Beckman, Bejam, Blanchards, NTV, Maunders (J), TSW.

FUTURE DATES

Interims-

Biotechnology Inv	Oct. 14
Dauphin	Oct. 10
FR	Oct. 25
Haversal Whiting	Oct. 7
ISA Intl	Oct. 19
Johnson Group	Oct. 12
Lincat	Oct. 11
Polymark Intl	Oct. 6

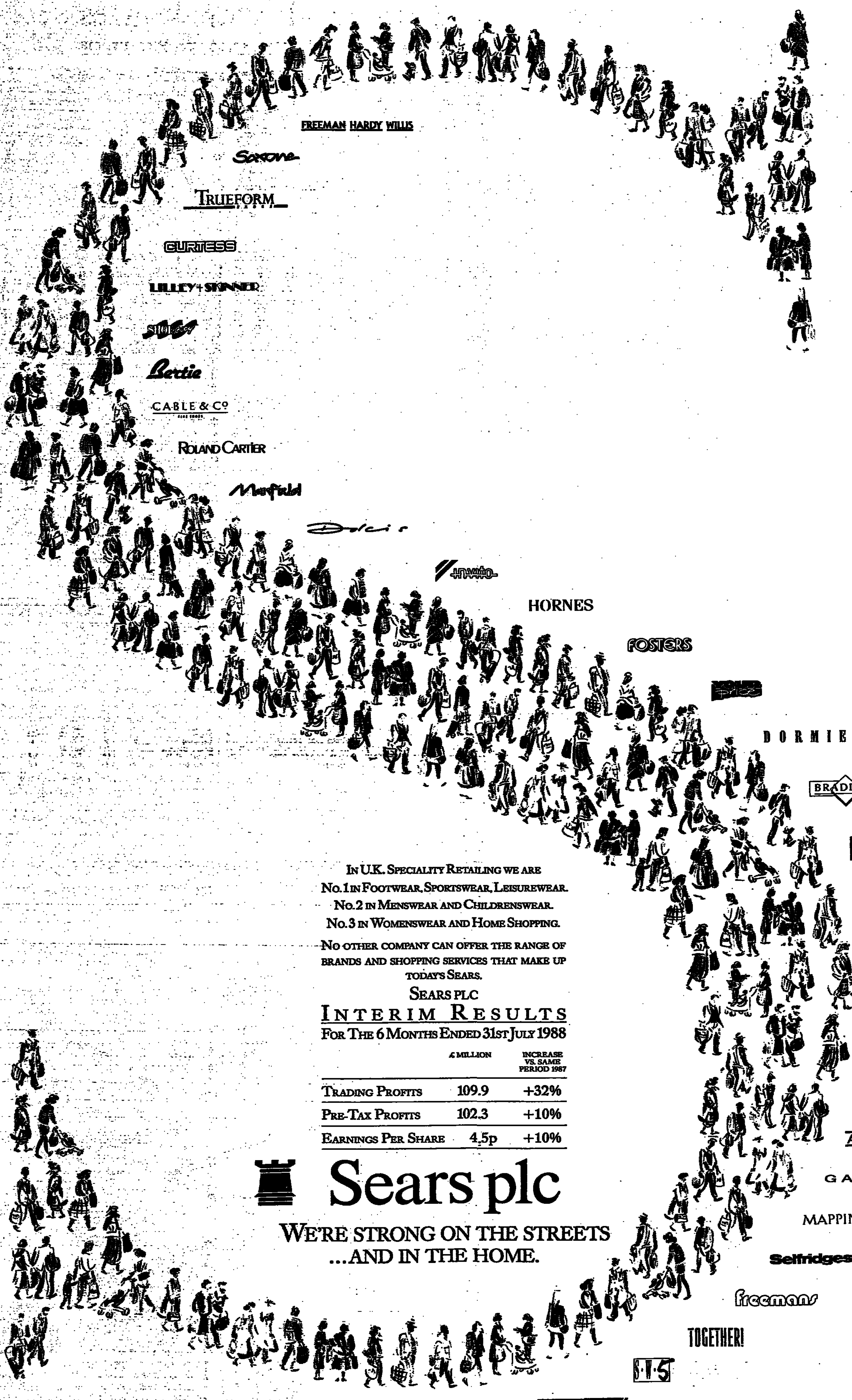
Kleinwort Gilt

Kleinwort, Benson Gilt Fund, which has its portfolio mainly in British Government securities, reported pre and post tax profits of £2.36m for the three months ended October 2 1988, compared with £1.72m for the period to September 30 1987.

A second interim dividend of 33.22p (29.43p) per participating share is declared.

Gold Fields/Swiss Bank Corporation

The inadvertent omission of a paragraph in the story about the bid for Consolidated Gold Fields on Monday gave the impression that the Swiss Bank Corporation might refuse to cooperate with Gold Fields' inquiries into dealings in options on its shares ahead of the offer from Minorco. In fact, as made clear in previous stories, Swiss Bank told Gold Fields that it was acting on behalf of a Liechtenstein Bank.



MMC conclusion on Kuwaiti holding of BP shares

THE GOVERNMENT yesterday said it had asked the Kuwait Investment Office to reduce its stake in British Petroleum from 21.6 per cent to 9.9 per cent, as recommended by the Monopolies and Mergers Commission.

Referral to the Monopolies Commission was recommended by Lord Young, the Trade Secretary, after the the KIO had built up its substantial stake following the stock market crash in October 1987.

The KIO had mopped up unwanted BP shares that were dumped on the market when the Government proceeded with the sale of its 31.5 per cent stake in the company in the face of the crash. BP however complained as the stake grew quickly past 10 per cent.

The following is an edited extract from the report of the Monopolies and Mergers Commission, "The Government of Kuwait and The British Petroleum Company"*:

We believe that it is likely that at some time in the future Kuwait, for totally understandable reasons of national interest, would use its material influence, which it possesses by the present level of shareholding, to seek to influence BP to change the priorities or reduce the level of its research and development programme. We believe this would be detrimental to the United Kingdom public interest.

We consider that the position of BP in the United States and its ability to continue to grow in competition with other companies including KPC is a matter of considerable importance to the United Kingdom public interest. A major part of BP's income is derived from its activities in the United States and the company has many United States shareholders. BP's position in the United States as the largest producer of oil is rather different from that in any other overseas country. It is vital for BP's continued prosperity and growth in the United States that there are no impediments, legal or otherwise, to it being able to obtain exploration and production rights and licences and to continue to grow in downstream areas.

We consider that, in view of the conflict of interest that may be expected to arise between BP and the State of Kuwait, it would be against the public interest for the Government of Kuwait to be able to procure the appointment of a director to the Board of BP.

Conclusions and recommendations

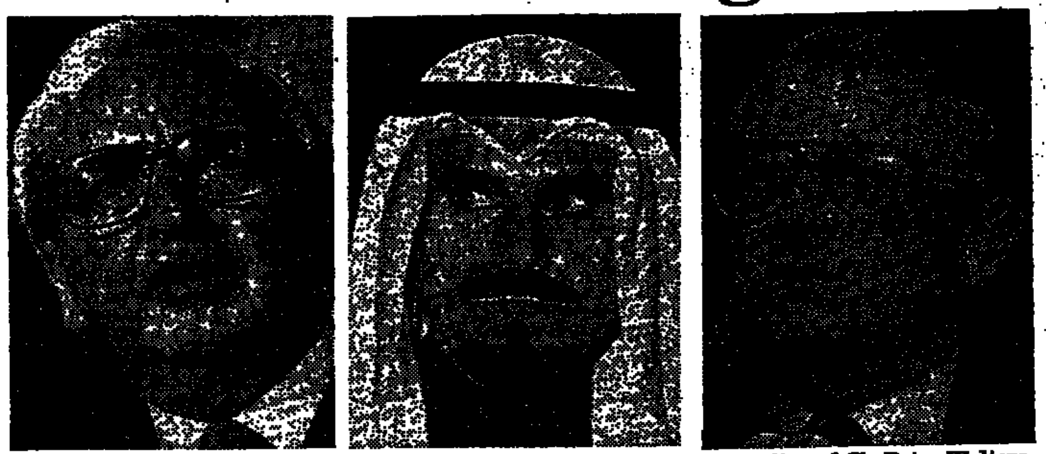
In determining for any purposes to which this section applies whether any particular matter operates, or may be expected to operate, against the public interest, the Commission shall take into account all matters which appear to them in the particular circumstances to be relevant.

Kuwait suggested therefore that the Commission had to determine the question of whether the merger situation operated or may be expected to operate against the public interest, not in general terms, but by reference to the particular effects of the situation and, in this case, the Commission must be able to say that any such particular effect may be expected to arise from the situation.

We do not accept the suggestions, made by Kuwait, as to the way in which we should reach our conclusions in the present reference. We are advised and ourselves consider that, in determining whether the creation of a merger situation qualifying for investigation may be expected to operate against the public interest, it is proper for us to look at the situation as a whole. In considering, in this connection, what may be expected to happen, or in what way, our approach should be based upon reasonableness; it should represent our reasonable expectation, having taken into account all the factors which we consider relevant, among them the risk of serious adverse consequences for the public interest.

The sheer size of the Government of Kuwait's shareholding means that it could be used to defeat ordinary and special resolutions at general meetings either alone or in combination with other shareholders. The mere existence of a holding of this size would create difficulties for BP's management and would influence it to take decisions and actions different from those it would take without the existence of that shareholding. BP's actions could be influenced either by the threat of a sale or through actual sales, or by the placing of shares on the market at an inopportune time or a threat to place the shares with unfriendly buyers. The Government of Kuwait's ability to make known its intentions to vote in particular ways or to support the proposals of other shareholders would also be likely to influence BP's board as would Kuwait's promise of support on some issues or abstention on others.

The Government of Kuwait and its agency, KIO, are not bound by the same considerations as most other investors. Even on strictly investment grounds the Government of Kuwait's considerations, having regard to the long-term nature of its investments, the size of its holdings and its revenues, are unlikely to be the same as other investors.



Lord Young, left, Trade Secretary, Sheikh Jabir Al-Sabah, Emir of Kuwait, and Sir Peter Walters, chairman of British Petroleum

The size of the Government of Kuwait's shareholding is such that it could be used to influence the policy of BP on many matters including research into and the development of substitute or alternative sources of energy or oil products, the exploration for oil or the development of new or marginal existing oilfields or acquisitions.

Furthermore, we believe that in future the perception in some third party countries, including the United States of America, of this influential shareholding by a member of OPEC is a factor which could have adverse effects on BP's activities.

Although accepting the Government of Kuwait's present intentions, we consider that it may be expected in the future to exercise its influence in one or more of the ways we have indicated previously in this chapter. The important fact to bear in mind is that we are looking at the long term, the indefinite future. In the future, circumstances are certain to change, and sovereign states may be expected to adapt to changing circumstances and on occasions to place their national interests ahead of their interests as investors.

We believe that there is a high degree of probability that sooner or later situations will arise in which Kuwait's national and international interests will come sharply into conflict with BP's and HMG's interests. Such conflicts of interest would be even more likely to occur if a future government in Kuwait was less well-disposed to the West and the United Kingdom.

We should add that, in considering the public interest issues and our conclusions, we have taken into account the provisions of the Deed to which we have referred. However, even in the absence of the difficulties as to enforceability and enforcement which, as there mentioned, we believe would exist in respect of the Deed even if a further Deed, in the same form, were to be executed by the Government of Kuwait, and were capable of enforcement by the Secretary of State, we do not consider that it would go far enough.

An undertaking not to vote shares is in our view unsatisfactory in the long term. The prospect of a sale of a large block of non-voting shares overhanging the market would have a depressing effect on the share price and would restrict the management's freedom of action at times when it wanted to raise capital or issue shares for acquisitions.

In these circumstances we consider that the only effective remedy is for the shareholding to be reduced to a level at which it could be expected not to exert material influence. We consider that the maximum level of shareholding should be 9.9 per cent, ie just below the 10 per cent level at which it could requisition company meetings or call for a poll. We therefore recommend that the Government of Kuwait should be required to divest its holding of BP shares to 9.9 per cent of the issued ordinary share capital of BP.

We believe, however, that in order to maintain and promote an orderly market in BP's shares, the divestment should be carried out over a period of time of some 12 months which should be subject to some flexibility in the light of market conditions. In the meantime, it would be advisable if the Government of Kuwait's voting rights were to be restricted to those applicable to 9.9 per cent, after taking account of the shares to be divested, of the share capital of BP and that there should be consultation before any disposals of the shares. In making these recommendations, and particularly in suggesting a 12-month period for divestment, we do not wish to be seen to be inhibiting the flexibility of the Secretary of State in the light of market conditions to promote an orderly disposal of the share holding.

Summary of conclusions and recommendations:

(a) We have concluded that a merger situation qualifying for investigation exists between the Government of Kuwait and BP and that the merger situation may be expected to operate against the public interest.

(b) We recommend that the Government of Kuwait be required to divest its shareholding in BP to not more than 9.9 per cent of the issued ordinary share capital.

(c) We recommend that, in order to promote an orderly market in BP's shares, the divestment should take place over a period of some 12 months. We have taken no consideration of preference shares.

**Monopolies and Mergers Commission: The Government of Kuwait and The British Petroleum Company plc. A report on the merger situation. HMSO Price £9.20.*

Buy-out plan boosts Invergordon shares

By Ray Bashford

FOUR SENIOR executives of Invergordon Distillers, Scottish whisky group, have approached the board with a plan for a management buy-out.

The directors informed the board of their intention last week. The move came after four months of speculation about the company's future which provoked the interest of the Takeover Panel.

The buy-out team is Mr H C Craig, chairman, Dr C G Greig, managing director, Mr T G Wittaker and Mr K J Findell.

The company said it decided to announce the approach following a further upward movement in the share price. On Monday Invergordon shares firmed 5p to 312p and following yesterday's announcement, jumped a further 30p to 342p, capitalising the company at £278.7m.

Members of the buy-out team were yesterday unavailable to comment but it is understood that they were finalising financing arrangements and the terms of the proposed offer.

Hawker Siddeley, which has a 65 per cent stake in Invergordon, also declined to comment stating that it was awaiting further details.

The Takeover Panel has made two inquiries to Greig Middleton and Company, the London stockbrokers, following heightened activity in Invergordon shares.

In reply to the first inquiry last June, the stockbroker said that it was advising on the "possibility of a bid" from an unnamed group. Last month, in reply to a similar request Greig Middleton said there remained "the possibility of an offer."

Greig Middleton is believed to have discussed a takeover with at least one group but has failed to establish the terms for an offer.

A management buy-out is understood to have been under consideration among certain members of the board before Greig Middleton emerged as an interested party.

LIT acquires 24.5% stake in Levitt Group

By Vanessa Houlder

LIT Holdings, futures and options brokerage group, yesterday announced a move into personal financial services with the acquisition of a 24.5 per cent stake in Levitt Group (Holdings) for £11m cash.

The acquisition is in line with LIT's strategy of broadening its base outside the futures industry, in which it is the largest clearer of futures contracts in the world. After the deal, the company has cash of about £50m, some of which may be used for further acquisitions in personal finance and fund management.

Levitt, which has a clientele of wealthy individuals and corporate clients, is involved in pensions, insurance consultancy and broking, investment advice, mortgage broking and consultancy service. Its services are mainly marketed through firms of chartered accountants.

LIT has an option to increase its stake to 33.33 per cent in a year's time for a further cash payment of £4.5m.

Levitt has warranted earnings for 1988 of £4.5m and further cash payments will be made if it makes earnings of £6m in 1989 or £8m in 1990. The principal vendor is Mr Roger Levitt who will be invited to join the board of LIT.

TR Industrial again urges bid rejection

By Nikki Tait

With the £560.5m bid by the British Coal Pension Funds for TR Industrial and General, the non-specialist investment trust, due to reach its first close today, the TRIG board has again urged shareholders to reject the 129.5p a share offer.

The trust said yesterday that it believed the bid was too low, and the lack of any tax-efficient alternative penalised shareholders who did not enjoy BCPF's tax-exempt status. The offer is in the form of cash only, without any loan note alternative.

TR Industrial estimated that net asset value of the trust on September 30 was 142p, 12.5p above the offer price. This suggests an exit price equivalent to 91.2 per cent of underlying net asset value – and compares with general exit levels of upwards of 95 per cent in most recent investment trust reorganisations or bids.

BCPF, however, countered by pointing out that the valuation was done on Friday and that British, Japanese and American stock markets had all eased since then.

The FT-SE 100 Share Index – TRIG has around 60 per cent of its assets in the UK – has fallen about 20 points, or about one per cent, this week. TRIG, on the other hand, maintains that the valuation was being done for the Association of Investment Trust Companies statistics anyway, and denied that there was any devious intent in concentrating on the Friday figure.

With the pension funds free to start purchasing in the market after today's close if they wish, shares in TRIG closed at 129p. BCPF already own 36.1 per cent of TRIG.

Prestwich reports 7% drop to £5.58m

Prestwich Holdings, entertainment and media rights group which recently revealed that it is considering a return to the private sector via a management buy-out, yesterday reported a 7 per cent drop in pre-tax profits to £5.58m in the year to end-June.

Last year's comparable figure of £5.99m, however, included an exceptional credit of £1.08m mainly relating to the sale of listed investments.

During the year, Prestwich sold its Bush radio offshoot to Alba for £6m. A loss of £930,000 on the disposal together with a similar provision of £899,000 relating to the sale of its mail order division were treated as extraordinary debits.

GrandMet bid relies on borrowing

By Clay Harris

GRAND METROPOLITAN, drinks, food and retailing group, is putting the emphasis on borrowing rather than equity in the financing of its $5.23bn (£3.1bn) bid for Pillsbury, US food manufacturer and restaurants company. It plans to raise only £479m, less than one-sixth of the total, through a rights issue.

The rest will be raised through dollar borrowings, deployment of the surplus on last week's £1.35bn sale of Inter-Continental Hotels to Seibu Saison of Japan, and – eventually – through the disposal of two parts of Pillsbury which account for one-quarter of the US group's annual sales.

By late yesterday, GrandMet had lined up $8bn in floating rate bank credit. The first $3.75bn had been arranged with the big four UK clearers – Barclays, National Westminster, Lloyds and Midland – before the bid was announced. The rest was quickly solicited afterwards of the same, undisclosed, terms with a small number of European, US and Japanese banks.

GrandMet emphasised that its interest exposure was limited because of other fixed-rate arrangements already in place. These included $2bn covered by a capitalisation at 9 per cent or less, a $950m swap programme at 8 per cent and $500m in fixed-rate financing at 9.6 per cent. Group interest-rate cover would not come below 5 times.

The structure of the deal is intended to enable GrandMet to avoid "dilution of its aspirations" Mr Allen Sheppard, chairman, said yesterday. In other words, earnings per share not only would not be diluted, but their growth would continue at least at the same rate as the group's target without Pillsbury.

After the transaction was completed, initial gearing would be less than 150 per cent, Mr Clive Strowger, finance director, said. The *pro forma* balance sheet on which this was based, showing net assets of £2.1bn, takes into account all disposals already announced, a £600m increase in the book valuation of properties and an £88m rise to £588m in the value of acquired brands carried in the balance sheet.

It did not include, however, the valuation of Pillsbury's brands – this alone would reduce gearing to less than 100 per cent – or the planned disposals from Pillsbury.

To support its case, GrandMet yesterday estimated its results for the year which ended last Friday. Pre-tax profits would exceed £565m, against £456m in 1986-87.

Earnings per share are expected come out at more than 46p, an 18 per cent advance, and a proposed final dividend of 9.5p would lift the total to 15p, a 25 per cent increase on the year.

Net extraordinary income after tax would exceed £250m, GrandMet said. This would include the surplus on the disposals of US soft drinks operations and the Childrens' World retail business, but not the £550m after-tax profit from the Inter-Continental hotels sales announced last week, which will be included in the financial year from October 1.

The lessons of one successful UK bid in the US earlier this year – Tate & Lyle's takeover of Staley Continental – have not been lost on GrandMet.

Beresford Hodge

Allen Shephard, chairman (second left), with (l to r) Peter Cawdren, director of strategy, Clive Strowger, finance director and Les Cullen, controller: structure of deal intended to enable company to avoid "dilution of its aspirations"

Among the similarities in the timing and structure are:

- The pre-emptive strike. Both bids were launched without warning in full-page advertisements in the New York Times, followed by a letter to the target company's chairman. In GrandMet's case, Mr Ian Martin, US operations chief executive *flew* to Pillsbury headquarters in Minneapolis to deliver the three-page document personally.
- The immediate challenge, in Delaware courts, to the targets' "poison pill" provisions.
- Attention to local feeling in the US. GrandMet yesterday promised to move its US food operations headquarters to Minneapolis and to keep the Burger King subsidiary in Miami. (Tate scored points with Staley's workforce by pledging to move the corporate headquarters back to Decatur, Illinois).
- The key role of loan financing, with the total to be reduced by selective disposals.
- The two-tranche rights issue. Both Tate and GrandMet wanted to assure the stock market that they were not seeking more equity than necessary if the bid did not proceed. GrandMet is seeking a 50 per cent payment up front, against Tate's 30 per cent initial call.

Moreover, both rights issues take the form of loan stock, automatically convertible into convertible preference shares in Tate's case or ordinary shares in GrandMet's. This enables the bidder not to fall foul of proposed US securities rules.

The resemblances are more than coincidental. GrandMet's advisers, Morgan Stanley and S.G. Warburg, also handled the Tate bid, along with Kleinwort Benson.

Further provision by Sound Diffusion

By Peter Franklin

SOUND DIFFUSION, the troubled electrical equipment leasing group which was forced to reduce its pre-tax figure by some £4m last year after a dispute with its auditors, has had to make a further provision of £6.05m in respect of trading in prior years.

Mr David Macdonald, chairman, said, it was disappointing to have to grapple with further problems from the past.

The provisions reflected £3.21m relating to a number of contracts which had been wrongly categorised as finance lease assets instead of operating leases. The remainder related to a greater level of problems associated with a rapid surge of contracts booked between 1984 and 1986, which had not been fully appreciated at the time the 1987 accounts were audited.

Mr Macdonald replaced Mr Paul Stonor the founder chairman, who resigned in November last year following a shareholders' rebellion over the accounts.

The statement was made as the company announced pre-tax profits of £388,000 for the six months to June 30 1988, which took account of redundancy costs of £315,000, said Mr Macdonald – the workforce had been cut from 735 to 583 since December 1987. He added that no reliance could be placed on the equivalent figure for 1987 in view of the sizeable losses which emerged in the audited accounts as a whole. Full unqualified accounts for 1987 have now been delivered to the Registrar of Companies.

It was more meaningful to compare the value in annual rental terms of completed installations, which in the first half of 1988 was up 14.5 per cent over the same period last time, he said.

Turnover in the period totalled £19m and after tax of £71,000 earnings per 5p share worked through at 0.17p. An interim dividend of 0.1p has been declared.

In the early weeks of the second half of 1988 there had been the normal seasonal lull, said Mr Macdonald, but there had been a sharp increase in orders last month and all the signs were that the company would have a busy final quarter.

CH Inds announces second deal this week

By Nikki Tait

CH INDUSTRIALS, the acquisitive building, chemicals and specialist engineering group, yesterday announced its second deal of the week – the purchase of Windeck Paints, a specialist manufacturer of own-brand paints and coatings for a maximum of £2.1m.

The Bingley-based company, which supplies DIY retailers and trade outlets, had sales of £7.4m in the year to end-June. Profit before tax and certain special charges was £146,000. Windeck is budgeting profit before tax of £344,000 and sales of £11.2m in the next 15 months to end-September 1989. Net assets are put at £451,000.

After the acquisition Windeck will join CHI's chemical and polymers division, with production continuing from Yorkshire.

The deal is being funded by a mixture of cash, loan notes and ordinary shares. The initial consideration is £573,000, of which £110,003 comes in cash, another £371,000 in loan notes and the balance by the issue of 63,446 new shares. The remaining consideration will depend on profits in the current 15-month period, subject to a minimum of £550,000 and a maximum of £1.5m. If the company makes its budgeted forecast, an additional payment of just under £1m becomes due. These further payments will be satisfied in loan notes.

Loan notes for both the initial and subsequent payments carry interest at 0.5 per cent over base rate, subject to a maximum of 10 per cent, and can be redeemed at par on March 31 1993 and 1994.

Earlier this week, CHI announced the purchase of a vehicle sun-visor company, Morgan Soft Trim, for £1m. Last month, it bought Motor Panels for £7.5m, besides making a handful of smaller acquisitions. Yesterday, its shares were steady at 133p.

Murray Electronics

Net asset value of Murray Electronics, investment trust, was 60.42p at the end of July, against 87.72p a year earlier.

The single dividend is maintained at 0.2p for the year to July 31. Directors said a low level of revenue from its portfolio resulted in a net loss of £82,190. Last year, the trust reported net revenue of £113,506. Losses per share were 0.27p against earnings of 0.38p.

Tarmac raises stake in Ruberoid to above 21%

By Andrew Hill

TARMAC, construction and *building materials* group, has again increased its stake in Ruberoid, building materials group, for which it is offering £141.3m. It now owns or has received irrevocable acceptances of its recommended cash bid representing 21.1 per cent of Ruberoid's equity.

Last week Raine Industries, housebuilder, further extended its hostile cash-and-shares offer *for* Ruberoid. The new closing date is October 12, but Raine has reserved the right to extend the bid – worth 282p a share, against Tarmac's 280p – if Tarmac's offer has not been referred to the Monopolies and Mergers Commission before October 11.

Granada

Granada Group has acquired WIGO EDK Wartung, an independent computer maintenance company based in West Germany, for DM 20.7m (£6.5m) in cash.

Granada said the move strengthened the group's position as the leading independent computer maintenance company in Europe.

Guidehouse up 44% and pays interim dividend

GUIDEHOUSE GROUP, financial services company, saw taxable profits increase by 44 per cent from £521,000 to £752,000 in the six months to the end of June 1988. Mr David Michaels, chairman, said the figures derived from a wider base of activity and the rest of the year should be satisfactory.

Turnover improved from £2.93m to £4.61m. Earnings per 1p share for this USM-quoted company were 2.3p (1.8p) and an inaugural interim dividend of 0.4p is being paid.

Rock cuts losses and expands

Rock, industrial and motor trade products distributor, cut pre-tax losses from £179,000 to £44,000 in the first half of 1988 and announced the acquisition of another distributor.

Turnover was £2.57m (£5.13m) The comparable figures included Rock Engineering Distributors and Gregory & Sutcliffe – since sold. The loss per share was 0.42p (2.15p).

Rock is acquiring Aiax Holdings for an initial £780,000 and further profit-related payments of up to £1.02m, in shares.

UK COMPANY NEWS

Shandwick hits £8.81m but City still cautious

By Andrew Hill

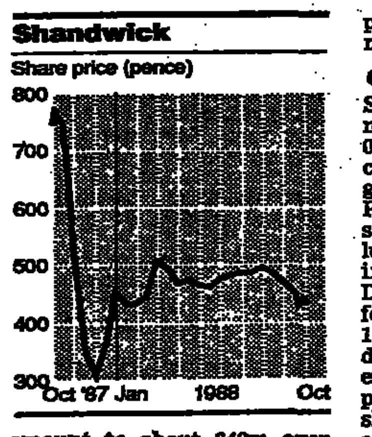
SHANDWICK, international public relations consultancy, more than doubled profits from £3.41m to £8.81m in the year to July 31. Earnings per share increased 63 per cent from 29.2p to 47.6p.

Mr Peter Gummer, chairman, said he was baffled by the recent fall in the share price, from nearly 500p in August to yesterday's 430p, up 3p. Before last October's crash, the shares stood at 774p.

"I think people still fail to understand that a PR consultancy with a broadly based portfolio of clients is very underexposed to market changes," said Mr Gummer yesterday.

During the year Shandwick bought International Public Relations, Japan's biggest PR company, for a maximum of some £25m and 13 other PR groups in Europe, North America and the Pacific Basin. Shandwick was hoping to make further acquisitions in Europe and North America, said Mr Gummer.

Deferred payments for businesses bought recently – so-called "earn-outs" – would amount to about £40m over five or six years if all acquisitions met profit forecasts, Mr Gummer said, but added that he was confident such payments could be met out of group cash flow.



He said the business was now extremely well-balanced worldwide with 35 per cent of annual operating revenue coming from Europe, 35 per cent from North America and 30 per cent from the Pacific Basin.

Turnover increased from £28.3m to £68.3m and a proposed final dividend of 5.5p, makes 7.5p (5.5p) for the year.

● COMMENT

Shandwick has 5,000 clients – none accounting for more than 0.5 per cent of revenue – and claims to be the leading PR group in Europe and the Pacific Basin. But the group seems blighted by the City's lukewarm attitude to marketing services companies. Despite the figures, despite forecast pre-tax profits for 1988-89 of about £15m, and despite the shares being on an extremely modest prospective p/e of around 7.5, the twin shadows of deferred payments and possible future rights issues hang over the group. A disgruntled Mr Gummer dismisses both spectres – good cash flow will cover earn-outs, he says, and the group is unlikely to have to return to the market to fund future acquisitions, which should be smaller than recent major strategic moves. Mr Gummer believes debt or existing cash may be the best way to fund further expansion. Expect a re-rating of the shares if the cloud over PR agency stock lifts.

Growth of 29% scored by Allied Restaurants

WIMPY FRANCHISER, Allied Restaurants, reported pre-tax profits up 29 per cent from £622,000 to £805,000 for the year ended July 16 1988.

The group, which joined the USM in November last year, has expanded its activities during the period with four acquisitions in the catering and leisure sectors.

Mr Richard Carr, chairman, said the buoyant trading conditions experienced in the first half of the year had continued into the second, although trading in the west end of London had been below expectations.

However, as a result of the past year's activities, he said, the company was now poised for further expansion in its established markets and he looked forward to long-term profitability being strong.

Turnover rose 48 per cent to £12.14m (£8.2m). Trading profit totalled £1.24m (£934,000), rental income increased to £83,000 (£58,000) and interest receivable was £33,000 (£12,000).

After an interest charge of £559,000 (£382,000) and tax of £316,000 (£254,000) earnings per 5p share worked through at 5.48p (4.9p). A final dividend of 1p making 1.5p for the year is recommended.

Buoyant housing market helps James Halstead to £6m

By Alice Rawsthorn

JAMES HALSTEAD, which has interests in floorcoverings and leisure products, yesterday announced a 20 per cent increase in pre-tax profits to £6m for 1987-88 despite difficulties in its clothing division.

Group turnover rose by 12 per cent to £47.1m (£41.9m) in the year to June 30. Earnings per share increased to 27.63p (22.35p) and the board proposes a final dividend of 5p making 8.25p (6.5p) for the full year.

Halstead's floorcovering interests, which provide the bulk of sales, fared well during the year thanks to the buoyancy of the housing market. The group leads the UK contract vinyl flooring market and also supplies carpet tiles to the residential market.

Mr. Stephen Knight, finance director, said overseas sales had become more difficult because of the strength of sterling. Exports to the US fell during the year, he said, although sales to Europe and the Far East increased.

Halstead has invested in additional warehousing and production capacity for its floorcoverings interests. The benefits of this investment should emerge next year.

The only difficult area was Belstaff which fell into the red in the second half thereby reducing profits for the full year. Mr Knight said that the chief problem lay in marketing. The managing director and sales director have since been replaced and a review of the business completed.

Belstaff has withdrawn from its unsuccessful ventures into skiwear and walking clothes. It is now concentrating on its traditional motorcycle clothing, together with ranges for golf and countrywear.

Conway Products increased profits during the year. It is diversifying in order to reduce the seasonality of its original trailer tent business into industrial trailers and, since June, into security cabins for building sites.

● COMMENT

Ostensibly a company that can muster double digit margins and consistent earnings growth of over 20 per cent should be a firm favourite with the City. Yet somehow James Halstead has never quite succeeded in shrugging off its dull, but worthy epithet. There are ample reasons for the City's indifference. A product portfolio of carpet tiles, motorcycle jackets and trailer tents is scarcely scintillating. And the investment community tends not to be well disposed towards companies that compound a preference for organic, rather than acquisitive growth with a sizeable family shareholding. Yet Halstead's performance has been nothing if not solid since it overcame its problems of the early 1980s. Belstaff's difficulties are being resolved. Conway is being steered into less seasonal areas of activity. The increase in interest rates may cast a cloud over floorcoverings, but the group should muster another solid rise to £7m or so this year. This puts the shares – up by 2p to 233p yesterday – on a prospective p/e of 7 which, even allowing for the fads and fancies of the City, is somewhat low.

Restructured W A Tyzack hits £2.7m and boosts dividend

By Katrina Lowe

W A TYZACK made strong progress in a year which saw new management move in and a restructuring. Pre-tax profits in the twelve months to July 29 soared to £2.71m, against £540,000 in the previous twelve-month period. Turnover jumped from £10.7m to £26.88m.

Earnings per 10p share also rose strongly from 5.55p to 13.5p due mainly due to a substantial improvement in operating margins in both existing and newly acquired businesses. To reflect this growth directors propose to increase the final dividend to 3.5p, doubling the year's total to 4.5p (2.25p).

Tyzack sees the new filtration division, acquired as part of last November's purchase of Spencer & Halstead, as a base for expansion into the European filtration market, estimated to be growing at 10 per cent per annum. Spencer's filtration side generated pre-tax profits of £0.4m on sales of £2.2m in its last financial year.

Following expansion in Europe, Tyzack is now European leader in blast equipment with a 20 per cent market share.

In the UK, Tyzack Turner, Sheffield-based manufacturer of engineering components, was acquired for £2.5m. The hand tools, ground tillage parts and woodworking machine knives divisions were sold because they did not fit group strategy. The £5m proceeds of the sale and sale of surplus plant and land contributed to the restructuring and acquisition costs.

Tax took £797,000 (£184,000) at an effective rate of 29.4 per cent. Gearing has been reduced to about 10 per cent, reflecting internal cash generation and sale of non-strategic business.

All-round expansion lifts Ward Group to over £3m

WARD GROUP, manufacturer of steel components for the construction industry, increased profits by 55 per cent in the six months to June 30 on turnover ahead 82 per cent.

The taxable result rose from £1.98m to £3.06m on sales up from £34.74m to £63.18m. All areas made progress during the period and the results also included SA Chamebel, acquired in January, which was now contributing to group profits, directors said.

Ward Building Systems generated 51 per cent of turnover. All of its divisions performed well, particularly in the UK. Sucometal contributed nearly 14 per cent of sales. Ward Architectural Systems put in 4.5 per cent and was now operating at a record level with an order book for the whole year. Sterefronts, a subsidiary started in March, supplies aluminium doors and window systems. The directors said it was achieving budgeted results.

The interim dividend is raised to 1.8p (1.5p) on earnings per 5p share up 55 per cent to 9p (5.8p).

Thurgar up to £0.85m

THURGAR BARDEX, manufacturer of plastic products, increased pre-tax profits by 21 per cent from £702,000 to £852,000 in the six months to June 30 on sales ahead 41 per cent from £10.72m to £15.14m.

The directors said profits were affected by launch costs of a new uPVC patio door supplied in kit form. These costs would continue into the second half at a lower rate.

Earnings per 10p share in the latest period rose to 2.66p (2.15p). The interim dividend is raised 0.1p to 0.85p.

Quadrant improves 74%

QUADRANT GROUP, the acquisitive photographic products and video equipment supplier which moved from the USM to the main market in August 1987, yesterday reported a 74 per cent expansion in taxable profits for the six months to end-August.

The pre-tax outcome, up from £980,000 to £1.71m, was scored on turnover 49 per cent higher at £24.54m (£16.42m). Earnings per 10p share worked through at 7.53p, against 5.01p last time, and the interim dividend is lifted to 1.25p (1p).

The second half had started well, said Mr Jeremy Peace, chairman, with the cellular communications division benefiting from a larger subscriber base.

Chartsearch advances to £0.4m

Chartsearch, engaged in publishing and advertising, increased profits before tax from £292,000 to £418,000 for the first six months of 1988.

Turnover edged ahead from £3.11m to £3.33m.

The company came to the USM a year ago and is paying a maiden interim dividend of 0.219p from earnings of 0.89p (0.55p) per 1p share.

Stanley Leisure £2.5m purchase

Stanley Leisure Organisation, betting office and casino operator, is acquiring Bill Taylor of Huyton, operator of 23 betting offices, for £2.5m in cash and shares.

The offices are in The Wirrel, St Helens, Runcorn and Liverpool. The terms of the purchase are £1.75m cash and £750,000 through the issue of shares at 235p as well as a further cash payment equal to Bill Taylor's net current assets at the completion date.

At June 30 the company had net assets of £300,907, of which £344,018 was in cash. Pre-tax profits at that date were £145,375, after non-recurring costs of £108,000.

Helene rises 47%

Despite the adverse effects of the poor summer, Helene, clothing manufacturer and distributor, raised taxable profits by 47 per cent to £1.05m in the half year to June 30.

Turnover advanced 32 per cent to £17.42m (£13.16m). Earnings per 10p share were unchanged at 1.3p and the interim dividend is lifted 0.05p to 0.55p.

Harding advances

Harding Group, maker of pre-stressed concrete floor joists and supplier of electrical and electronic products, raised pre-tax profits from £476,000 to £574,000 for the six months to June 30.

The company, which joined the USM in May, lifted turnover 45 per cent to £10.68m (£7.35m).

Earnings rose from 2.78p to 3.21p per 10p share and an interim dividend of 1.1p has been declared.

The second half had started well, directors said.

Highland Participants expansion

By Ray Bashford

Highland Participants, Mr Peter de Savary's maritime industries group, has acquired another two ship repair businesses.

The company yesterday announced the purchase of Smith Shiprepairs North Shields, a subsidiary of Ferguson Industrial Holdings, for £2.6m through the issue of 1.1m ordinary shares.

Highland has also bought the ship repair assets of Sir James Laing for an undisclosed sum. These assets comprise the operations of Tyne Shiprepair at Wallsend Drydocks on a 13 acre site and the dormant facilities at Middle Dock, also on a 13 acre site.

An 8.5 acre site at Brigham and Cowan, South Shields, has also been purchased.

COMPANY NEWS IN BRIEF

PLASTIC CONSTRUCTIONS (supplier of corrosion-resistant plastic materials and equipment): Pre-tax profits £455,000 (£267,000) for half year to June 25 1988 on turnover £10.42m (£9.56m). After tax of £165,000 (£102,000) earnings per 10p share 5.07p (2.93p). Interim dividend 0.75p (nil).

ROCKFORT GROUP: Interim dividend for six months to June 30 1988 nil, but board forecasts final dividend 2.6p for year. Turnover £20.32m (£10.82m) and pre-tax profit £3.21m (£1.63m). Interest payable £818,000 (£496,000), and after tax of £1.06m (£635,000) earnings per share 6.7p (4.2p).

THROGMORTON DUAL Trust: Final dividend 4p (3.5p), making 6p (5p) for year ended July 31 1988. Net asset value at that date was 750.4p (887.9p) per 1p capital share and 35.6p (44.4p) per 25p income share.

TOP VALUE Industries (clothing maker): Pre-tax profits £516,000 (£886,000) for first half of 1988 on turnover £4.75m (£6.95m). After tax £181,000 (£236,000) earnings per 10p share 2.54p (3.6p). Interim dividend 1p (same).

TRIPLEVEST reported net asset value per £1 capital share at August 31 of £15.14, against £15.40 six months earlier. For the six months to the end of August net revenue was £2.98m (£1.79m) and the distribution per 50p income share was 5.562p (7.471p).

WELSH INDUSTRIAL Investment Trust: Investment income £55,015 (£41,624) and pre-tax profit £20,062 (£63,424) for year to April 5 1988. Net profit £12,465 (£3,55 loss) after extraordinary debit last time of £45,862. Earnings per share 0.93p (3.3p). Net asset value declined by 29 per cent to £2.88.

MANAGEMENT

It was Newcastle, in north-east England, that the Thatcher Government chose as the venue for the first of its nationwide programme of regional "croissants and coffee" breakfast seminars on the challenge of 1992.

Yet, five months after that meeting in May, the north-east seems at first sight to have responded to the Government's "Europe Open for Business" campaign more weakly than any other region in the United Kingdom, with the sole exception of troubled Northern Ireland. In spite of all the publicity, the bald official statistics suggest that companies in the north-east still either do not know – or worse, do not care – about the threats and opportunities facing them in a single European market.

Out of this year's 125,000 requests for advice from the Department of Trade and Industry's 1992 telephone hotline, barely 2,500 have come from the north-east. Not surprisingly, the DTI expresses itself "disappointed". By comparison, the Welsh have phoned up with over 2,900 enquiries, the Scots with over 5,000, and nearby Yorkshire and Humberside with almost 7,500.

North-easterners are quick to bite back against a literal reading of these bald statistics, pointing out that they fail to allow for the fact that the region's economy is still struggling to shake off its debilitating legacy as a "branch plant economy", in which successive generations worked in the assembly factories and welding halls of large companies which have their headquarters in the south, or in distant America.

This lack of entrepreneurial tradition has left the region with far fewer independent small and medium-sized companies than many other regions of the UK. According to the Newcastle stockbrokers Parsons Penny, there are only 30 locally-based listed companies in the north-east, compared with over 140 in Yorkshire and Humberside, its immediate neighbour to the south. Taking into account the comparative population, the north-east should have between 70 and 100.

On this basis, the north-east's response to the DTI's 1992 campaign starts to look at least as respectable as that of Yorkshire and Humberside.

Two other factors mitigate the starkness of the DTI's figures still further. First, about 100 enquiries a month are being siphoned off into the north-east's own European Business Information Centre in Newcastle, which is backed by the European Community along with others in Scotland, the West Midlands, and London. The Newcastle centre, which opened early in 1987 and quickly hit its current rate of enquiries, is operated by the Northern Development Company, which also promotes exports from the north-east and inward investment to it.

Second, the region is now starting to teem with 1992 initiatives and advice services from business clubs, chambers of commerce and polytechnics. A spate of locally-organised 1992 conferences has been held in recent months, and looks like gathering pace during the autumn and winter, to judge from a list which is being centrally collated by the DTI.

To form a direct impression for this series of whether the north-east has its fair share of companies "ready for 1992" – and of how British medium-sized enterprises in general are preparing for the internal market – five very different companies within the region have been visited, in industries ranging from consumer products to chemicals. Their status very roughly reflects the north-east's spread of corporate ownership: one is quoted on the stock exchange, two are independent and private, and two are offshoots of multinationals.

Their experience in continental European markets, which will be reported on this page every Wednesday for the next month, ranges from successful to faltering. They are all remarkably open about their mistakes, on key issues such as national market differences, distribution problems, local staffing, and joint venturing. But, like Berghaus, the Newcastle company featured below, they are all gearing up quickly for a new cross-channel assault, as well as for greater competition at home.

Christopher Lorenz begins a series on the European strategies of companies in North-East England

How Berghaus grapples with market differences

Ten days ago a group of West German sports shop managers spent a very "aktiv Wochenende," as their invitation cards rightly called it, walking amid the mountains and glaciers of the Austrian Alps.

What distinguished them from most of the fellow wanderers they met along the way was that they were all entirely kitted out with rugged clothing and rucksacks bearing the "Berghaus" brand. As guests of the company of that name, they were trying out next summer's new range of products.

Such mountain-top trade promotions are standard practice among German manufacturers of high-performance clothing and equipment. But this was the first held on the continent by Berghaus, which despite its Germanic-sounding name (literally, mountain hut) is thoroughly British. With almost 500 employees, sales of over £12m in 1987-88, a current annual growth rate of more than a quarter, and an expected export ratio for 1988-89 of over 50 per cent – the vast majority within Europe – it is one of the most successful private companies in the north-east. Pre-tax profits last year were £750,000.

Peter Lockey, one of the two Northumbrians who started manufacturing under the Berghaus name in 1972 after running a Newcastle climbing shop and wholesale distribution business for six years, says "the 'aktiv Wochenende' epitomises the stepping-up of our operations in Germany. We want Germans to realise the depth of Berghaus's commitment to their market."

Though Berghaus has been exporting with growing success to the Federal Republic for well over a decade – its other main export markets are Italy, Scandinavia, Switzerland and Benelux, with France trailing behind – the company is only now establishing a distribution system there which enables it to match the responsiveness and flexibility of its local competitors. It has recently done the same in Italy, its second largest market after the UK.

The way Berghaus is scaling the upper end of the very demanding continental and Scandinavian markets for "performance" jackets, trousers, gaiters, rucksacks and boots, holds lessons for any company which is electrified (or petrified) by the imminent challenge of 1992 and the years beyond. If there is one prime message, it is that superficially similar market niches in neighbouring countries have a habit of proving very different.

Berghaus has made mistakes aplenty in its assessment of European customer differences, and also in its calculation of suitable distribution arrangements, but it has learned from them. Above all, in the words of Gordon Davison, Lockey's co-founder and fellow owner, "you can't treat the continent just as one export market – you need time in each country to understand what the problems are."

From the very start of its existence under the commercial drive of Lockey (who learned marketing and sales at Rowntree, the UK confectionery maker) and the technical vision of Davison (who taught engineering at Newcastle Polytechnic before working for Brown Boveri in Switzerland), Berghaus has innovated its way to the top of the market. Virtually its first in-house product was a European breakthrough: the first rucksack with a flexible aluminium frame conveniently hidden within it, rather than attached to its outside in bulky and unsightly fashion. The key innovation was the bending of aluminium rapidly without buckling it.

This "Cyclops" carrying system gave Berghaus a foothold in export markets right across Europe, and initiated the company's policy of regarding the UK as "not big enough to sustain a growing company," as Peter Lockey puts it.

Since Cyclops, Berghaus has launched a steady string of technically advanced products, almost all of which have quickly become well-known in Europe, and elsewhere, as leaders in their field. They include a range of weatherproof clothing products, such as Kang Jackets, that "breathe", using a special American fabric called Gore-Tex sealed by Berghaus's own innovative welding techniques. The company also makes "Yeti" gaiters, which are based on a patented system for attaching gaiter to boot, and it imports an up-market range of Italian walking boots. A wide range of Berghaus products has appeared on the well-publicised mountaineering expeditions of Chris Bonington, whom the company has used as a technical consultant for the past five years.

The strategy of product innovation has been backed increasingly in the last few years by an emphasis on automated production, with continual improvements in computer-aided design and manufacturing processes. "We're now working towards a more flexible system which can respond to customer requirements quickly, while also cutting inventory and costs," says Davison.

That difficult combination will be vital for the company's ability to carry through the next phase of its thrust into continental Europe without straining its resources. For, though most of Berghaus's products are aimed at sophisticated customers and sold through relatively specialist outlets, consumer preferences and distribution patterns actually vary widely across its various national markets. One of the few common denominators, apart from the thirst for innovation, is the ability to deliver repeat orders rapidly in small batches – and the company is still unable to do that economically in most countries.

Even the ultra-fit top managers at Berghaus, who still regularly go out on the hills and mountains to test their products, "took a few years to realise that we couldn't go thrusting UK products down other people's necks", admits David Udberg, Berghaus's marketing director (and another local from the Newcastle area).

Chris Bonington, technical director (left), Peter Lockey, managing director, Gordon Davison, chairman (right): stepping up Berghaus's operations in West Germany

There are some commonalities across the product range, but in general Berghaus has had either to introduce modifications for different markets, or entirely different products. Thus Udberg says the performance standards of waterproofs need to be much higher in Britain than elsewhere, because of the wetness of the weather. Apart from the basic appeal – or lack of it – of certain garments, this affects such things as the positioning and protection of pockets.

In rucksacks (which, good European that it is, Berghaus prefers to call rucsacs) most British products are too small for the Scandinavians, but too large for most (though not all) continentals, who also dislike the external pockets which are de rigeur in the UK. Even after more than a decade of experience, the company is still learning the hard way: last year a rucksack that sold well in Britain failed in Germany because it had only one inside compartment, even though this made it stronger.

Nor are the differences purely Anglo-continental; some jackets, for instance sell in the UK and Germany, but not in Italy which prefers a sleeker styling.

The need for a quick response to very varied types and sizes of order is exacerbated by different national patterns of distribution. This is caused less by variations in Berghaus's own continental distribution network – a pragmatic mixture from country to country of direct sales, agents and distributors – than by the size of retail outlets. The Italian market consists of more than 500 small, family shops, while Germany has only about 200, two of which – in Munich – have what Udberg calls "enormous buying power".

As Peter Lockey puts it: "Italy was a nightmare to handle – every shop needed separate packaging, export and bank documents". So last year Berghaus set up its own six-person branch and warehouse near Milan to hold stock and turn orders around much faster. Sales are still handled through its long-proven six-strong team of agents.

A similar distribution facility is about to be established in the Federal Republic near the Cologne home of Berghaus's own German commercial manager, who started working for the company 12 years ago as an interpreter when it was still relying on three visits a year from Newcastle salespeople.

A vital back-up for the two new subsidiaries will be a £300,000 computer system which is now being installed in Newcastle to replace a 10-year old installation whose software was not sophisticated enough to reserve and allocate stock several months in advance, and to differentiate properly between orders from different countries.

The financing of the new system is covered by a £2m funding package which Berghaus arranged in the summer from 3i, the UK venture capital organisation. So is the establishment of the new German operation.

Further distribution subsidiaries of a similar kind will be established when each territory's sales growth demands it. France is some way down the probable priority list, although sales are now growing well from a low base in the hands of a Grenoble-based distributor appointed about five years ago. Before that, Berghaus had experienced difficulties because it failed to realise the need to sell through a French national who was familiar with the wiles of local retailers. In contrast with some of the other companies which will be featured later in this series, Berghaus has found France far more competitive, and retailers much more prone to chauvinism, than Germany. Appropriately, its French distributor is called Aventure Extraordinaire.

Next week's case study will focus in more detail on European distribution differences.

TECHNOLOGY

Pilkington's choice of enabling technologies

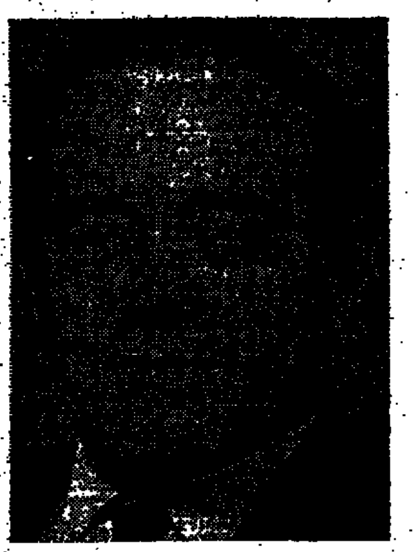
Melting and forming processes
The group operates 15 float and more than 50 glass processing plants world-wide. This sector includes the science of melting, refining, forming, physical and computer modelling, and glass-metal contact.

Glass (and related) materials
The aim is to find new ways of revealing a structure in almost structureless materials like glasses and polymers; using new techniques such as the synchrotron radiation source at the Daresbury laboratory near Chester. This sector includes research on soluble glasses (used to deliver drugs) and rockwool (used in hydroponics).

Opto-electronics and coatings
Typically, coatings are no thicker than 0.0001 mm and must be deposited to an accuracy of 10 per cent or better. Examples include "diamond-like" coatings, needed to protect germanium lenses from abrasion while permitting broad-band transmission. This sector includes advanced work in holography and the development of better metrology for measuring lens characteristics.

Polymers and organic materials
An important part of the work is the synthesis and curing of new polymers for glass and plastics, including the beckoning prospect of a mass market for "plastic glazing", such as polycarbonate windscreens in cars.

Research support technologies
This sector includes electronics, software, simulation and computer-integrated manufacture.



Sir Robin Nicholson

Strengthening the science base to fuel diversity

David Fishlock reports on the Pilkington solution

What is the role of central research in a large and diversifying group like Pilkington – if indeed it has a role?

That is a question which has exercised Sir Robin Nicholson, technical director, since the UK glass-making and plastics group beat off a takeover bid from BTR last year.

His investigation disclosed the need for a new role; one with strong echoes of an effort being made by the British Government – for whom Nicholson was chief scientific adviser until 1985 – to rejuvenate the national science base.

The initiative for the Pilkington investigation came not from its accountants but from the retiring manager of the central R and D department at Lathom, Lancashire, Sid Robinson. A succession of acquisitions, starting with Barr and Stroud in Scotland in the late-1970s, had built up a product spectrum ranging from flat glass to fashion, expanding the group's R and D budget to more than £70m this year.

Once almost all the R and D was done at Lathom, now it is increasingly being done elsewhere. This year about £50m will be spent abroad.

During the last decade, Pilkington's acquisitions have included Sola Opthalmics in Australia (ophthalmic plastics), Flachglas in West Germany (flat glass), Libbey-Owens-Ford in the US (flat glass), Swedlow in the US (acrylic products such as aircraft windows) and Barnes-Hind and Coburn Optical Industries in the US (both in contact lenses and lens solutions). Each has brought its own R and D.

Some Pilkington glass products are highly sophisticated: contact lenses costing more than their weight in gold, military materials that virtually think for themselves.

Nicholson identified three strands of inquiry:

- to collect better information at Lathom on what everyone was doing in R and D;
- to learn from some 25 chief executives of product divisions what they wanted from R and D;
- to discover what other multi-national research-based companies – BP, Shell, Philips – were doing about central R and D. Here, Pilkington's membership of Eirma, the European Industrial Research Management Association based in Paris, was helpful. "I would have felt quite naked if I had not known what other companies had done," says Nicholson.

He found companies (like Philips) which still divided their R and D budget between a central effort and research in product divisions. He found others (like Smiths Industries) with no central R and D.

But above all he found a pervasive worry among the more research conscious companies about how to embrace a sufficiently wide span of "enabling technologies" to prepare fully for the future. Many companies were looking to central R and D to fulfil this role.

Moreover, they wanted their product divisions to help foot the bill, so that central R and D never became an ivory tower, isolated from the products. But at the same time, they wanted central R and D to remain independent – "free thinking" – in pursuit of its science.

Nicholson laid three options before his board: to leave central R and D unchanged, to centralise all R and D or to redefine the role of central R and D. The factor which clinched it for the third option was the overlap between Pilkington products in terms of the enabling technologies they seemed likely to need in five to 10 years' time.

Nicholson, a metallurgist, points to the common areas of the technology underpinning the processing of glass and polymers: "I'm amazed that everyone is still looking for better ways of curing polymers." His group research director, Anthony Ledwith, previously a professor of polymer science at Liverpool University, is not so surprised.

Again, microscopically thin coatings – from one layer to as many as a hundred – have already emerged as a way of adding value to both plastics and glass. But the development potential in terms of mechanical, thermal, electrical and optical characteristics of multi-layer coatings has only been scratched.

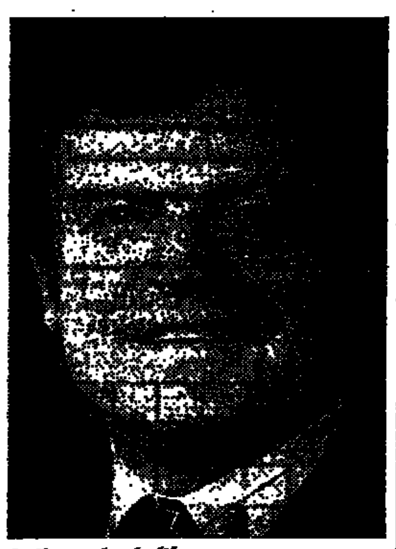
This summer a reorganisation of R and D began at Lathom. Its traditional bedrock of work for Pilkington Glass – it has been developing float glass technology since the 1950s, for instance – now becomes a divisional responsibility, although part of it remains at Lathom, which is currently developing a float process for low-emissivity glass.

Central R and D under Tony Ledwith's management becomes a separate £10m a year activity. It is equally divided between five enabling technologies and paid for partly by corporate funding and partly by taxing the 25 divisions.

Nicholson wants the divisions to continue to feel free to do some research for themselves, where it has no commonality with other Pilkington activities. An example is the newly acquired business in contact lens solutions, which earns more than the lenses themselves, but where the corporate expertise is outside the UK.

In the five chosen sectors of enabling technology (see accompanying story) the emphasis is on research, not on process and product development. Nicholson points out that several enabling technologies may be needed to develop a science-based product nowadays. For example, no matter how near perfect the polish produced on glass by the float process, new electronic uses require a still higher finish provided by a novel chemical polishing technique.

The five sectors correspond with topics mooted for the next set of the Government's interdisciplinary research centres. Ledwith expects to spend about £1m a year on extra-mural research contracts.



Anthony Ledwith

His boss is convinced British companies spend too little on research outside the company. Managements discourage it by saying that if it is spent outside, the in-house budget can be cut. As a result, British companies spend only about 1 per cent of their R and D budgets on research contracts, when it should be about 10 per cent, he says.

In total, Ledwith's budget for central R and D will be between 40 and 50 per cent more than the group has been spending on research with a five to 10 year horizon. He expects to recruit up to 30 additional specialists, including physicists and polymer scientists.

In addition to generating the technologies of tomorrow, central R and D will be the company's "intelligence agency" for future market opportunities – another good reason for strengthening links with other research centres.

Pilkington is also a founder member of the Centre for Exploitation of Science and Technology (Cest), a new think tank set up by a score of science-based British companies.

Radio with a screen goes on show

By Della Bradshaw

ONE OF the features of this week's BBC radio show in London is the radio which can display information as well as transmitting sounds.

These sets use the radio data system (RDS), which sends a digital signal alongside the normal audio signal in the FM frequencies. The signal contains data relating to the programme, such as the channel, which is displayed on a small screen on the radio.

At the moment, the main purpose of the data transmission is to identify and pick up the strongest signal for radio channels, so that drivers moving from one transmitter zone to another get the best sound quality without having to retune their radios.

Next spring, the BBC is introducing a travel service, initially involving five local radio stations. Drivers in the catchment area will be able to get automatic updates on the local traffic conditions simply by pressing a button.

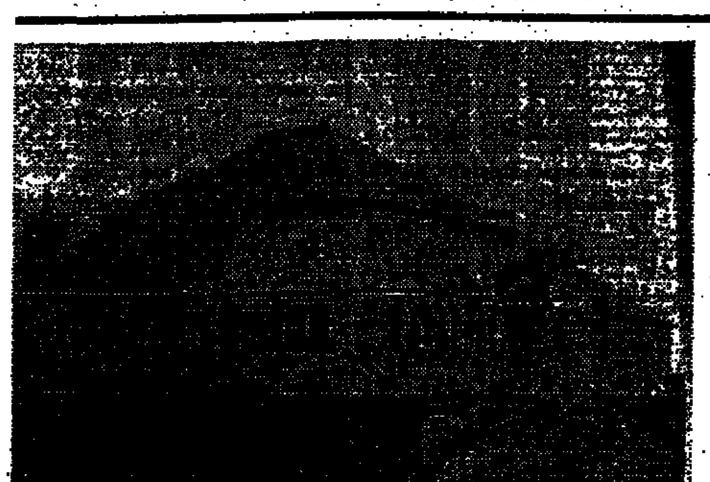
The traffic bulletin will be specially coded on the data channel. After the driver has heard it, the programme to which he was listening will automatically return.

Eventually each programme will be coded according to its subject matter – classical music, sport or comedy, for example. The radio listener will then be able to select by topic rather than channel.

It might also be possible to select programmes in advance by reading a bar code in the Radio Times with a light pen. Weather maps could also appear on the display screen and even be printed out.

Volvo was the first car manufacturer to introduce a radio using the RDS service in May this year. Now there are about a dozen manufacturers with prototype or commercially available car radios – costing between £300 and £600 – which can pick up RDS signals. Two hi-fi manufacturers, Revox and Grundig, have also incorporated RDS in their music systems.

The BBC is planning to have the first domestic RDS transistor radio for sale by 1990, although no manufacturer has yet agreed to produce it for the target retail price of £100.



Kevin Woodbridge outside his wind and sun-powered house

Harnessing the elements to do domestic work

AN EXPERIMENT in powering a house with renewable energy is taking place at one of the most isolated and exposed places in the UK.

On the tiny island of North Ronaldsay, the northernmost in Orkney, a house is being powered by the sun and wind. The experiment, partly funded by the European Community, is proving so successful that excess energy may ultimately be used to run electric cars.

A wind turbine has been designed to provide electricity to heat water for all domestic uses, including radiators. For room heating, warm air is collected in a large conservatory around the southern and western sides of the house.

The wind turbine system was designed by a team led by John Twidell, at the energy studies unit of the University of Strathclyde, Glasgow.

The 10 kilowatt turbine, manufactured by Aerowatt International of France and erected on an 11 m mast about 70 m from the house, operates at all wind speeds, withstanding gusts in excess of 100 mph. When the rotor speed exceeds 212 revolutions per minute, the blades automatically feather to provide less resistance, protecting the machine from serious damage.

The house, Twingness, is built in the form of a four-sided pyramid. The design brief was for a low-energy house which made use of established materials and techniques.

It is heavily insulated. Double-width cavity walls go down one metre below damp course level and the below-floor area is filled with glass fibre beads, creating a heat store.

Warm air collected during the day in the conservatory can be released through the rest of the house at night. A fresh air ventilation system, based on a simple heat exchanger, recovers about 75 per cent of the heat already in the building.

The dwelling, owned and occupied by the island's medical practitioner, Dr Kevin Woodbridge, was designed by Robin Jacques and Jeff Adams of Bath, Somerset. The wind turbine system was installed in February this year, the EC contributing £12,000 towards the £55,000 cost.

Woodbridge went to live and work on North Ronaldsay 11 years ago and has established a leading bird observatory on an island previously known only for its breed of seaweed-eating sheep.

Mainland Orkney is the site of the UK's biggest wind generator, a three megawatt machine erected by a consortium of companies, led by Taylor Woodrow, for eventual running by the North of Scotland Hydro-Electric Board. Nearby South Ronaldsay was the location of the first grid-connected wind turbine in the UK.

Earlier this year, the Central Electricity Generating Board announced plans to erect groups of turbines to form so called wind parks on sites yet to be selected. The board is also to go ahead with the world's first sea-based wind turbine.

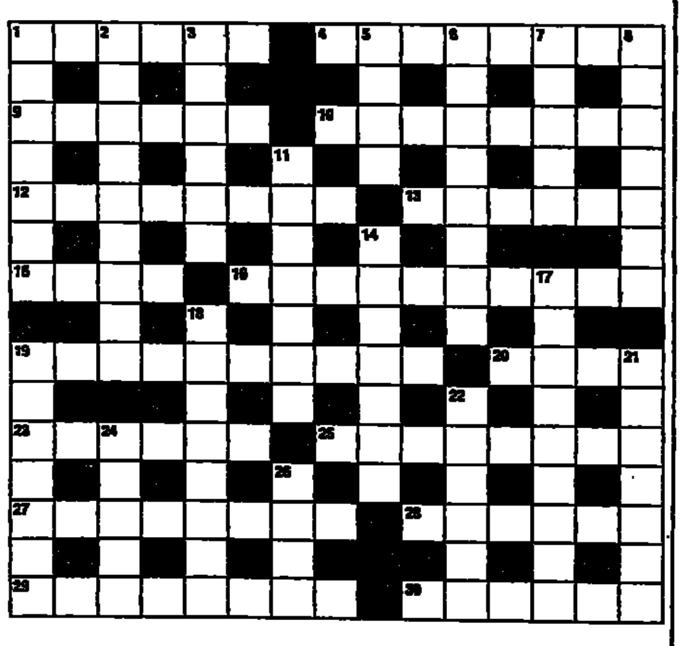
David Green

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,751 Set by DANTE



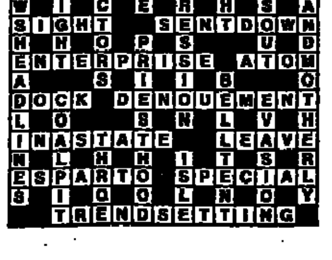
ACROSS

1 The gold glow of chestnut (6)
4 Conversation piece? (8)
9 Supporting feature of a newspaper (6)
10 They don't believe he requires foreign capital (8)
12 Mentioned why the whistle went too soon? (8)
13 Girl holds information for the programme (6)
15 Boot bag (4)
16 Fancy breaking nipper's toy (10)
19 Journalist involved in disturbances at sales, perhaps (10)
20 Having been in the cooler in the police department (4)
23 Bet he's in command (6)
25 Bitter sweet (4,4)
27 Study battle when it's clear, of course (8)
28 She brings firm into line, perhaps (6)
29 A particular form of dislike (8)
30 One of them is perfect (6)

DOWN

1 Given a hundred lines? (7)
2 Impudent type? (4-5)
3 Comment made about Antony? (6)
5 It takes little space in the newspaper (4)
6 Man of action (8)
7 New to the course? (5)
8 Blissful state of cats, yes, if groomed (7)
11 Tried to rebuild a US city (7)
14 Drinks up with a companion and leaves (7)
17 Careless way to get into debt (9)
18 On the one hand, they're instrumental in cutting (8)
19 Novel title of Esau's mother (7)
21 Maybe pressed to make one go down (7)
22 Publicity in place of helpful suggestions (6)
24 One of a pair of swingers! (5)
26 Short of ammunition (4)

Solution to Puzzle No.6,750



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrg	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TSB Unit Trusts (y) (1600)F						
Charlton Pl, Andover, Hants. SP10 1RE. 0264 63434						
TSB American	5	100.61	100.61	106.94	−0.61	2.11
Do Accum	5	107.98	107.98	114.78	−0.66	2.11
TSB Brit Growth	5	52.90	52.90	56.28	−0.06	3.57
Do Accum	5	55.36	55.36	58.89	−0.89	3.37
TSB European	5	50.57	50.85	54.10	+0.36	1.14
Do Accum	5	51.98	52.23	55.56	+0.36	1.14
TSB Extra Income	5	141.82	141.82	150.87	−1.36	5.99
Do Accum	5	183.06	183.06	194.34	−1.77	5.99
TSB Smaller Cos	5	52.32	52.32	55.66	−0.10	1.23
Do Accum	5	53.25	53.25	56.65	−0.09	1.23
TSB General	5	173.49	173.49	184.36	−2.47	3.40
Do Accum	5	300.30	300.30	319.47	−5.15	3.40
TSB Gilt & Fxd Int	3½	47.63	47.63	49.26	−0.02	8.95
Do Accum	3½	71.91	71.91	74.37	−0.03	8.95
TSB Income	5	258.94	258.94	275.47	−2.99	5.08
Do Accum	5	432.81	432.81	460.44	−5.01	5.08
TSB Pacific	5	198.51	199.50	212.23	−1.01	0.53
Do Accum	5	206.30	207.41	220.65	−1.06	0.53
TSB International	5	517.84	517.84	550.99	−0.22	1.04
Do Accum	5	399.81	399.81	426.41	−1.04	1.04
TSB Nat Resources	5	58.83	59.49	63.29	−0.58	1.44
Do Accum	5	62.91	63.01	67.03	−0.50	1.44
TSB Spcl Opps	5	76.97	76.97	81.88	−1.97	2.44
Do Accum	5	87.84	87.84	93.45	−2.24	2.44
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 0860						
American Eagle	5	64.38	64.38	68.79	+0.25	0.86
Australia	5	7.207	7.207	7.718		0.10
Commodity	5	74.96	74.96	80.80	−0.52	0.61
Convertible	5	139.2	139.2	150.0	−0.6	5.10
Equity	5	149.4	149.4	161.2	−0.1	3.24
Euro Spec Sits	5	80.06	80.06	86.07	+0.20	1.58
Financial	5	30.26	30.26xd	32.56	−0.11	2.09
Global Opps Inc	5	55.15	55.15	59.35	−0.25	0.65
Global Opps Acc	5	55.15	55.15	59.35	−0.25	0.65
Gold Income	5	47.95	47.95	51.41	−0.20	0.00
Gold Acc	5	88.32	88.32	94.69	−0.37	0.00
Income	5	103.8	104.7xd	112.4	−	4.51
Japan	5	118.8	118.8	127.9	−0.3	0.00
Pacific Inc	5	109.2	109.2xd	117.4	−0.3	0.06
Pacific Acc	5	135.5	135.5	146.3	−0.3	0.06
Preference Share	5	23.93	23.93xd	25.99	−0.02	7.75
Special Sits	5	92.80	92.80	99.80	−0.80	1.56
Technology	5	36.36	36.36	39.24	+0.18	0.60
UK Capital	5	85.87	85.87	92.00	−0.28	1.70

	Bid Price	Offer Price	+ or −	Yield Gross
MIM Ltd				
Magnt Pens (Acc)	155.0	58.61	—	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 5	40.5	42.1	−0.9	2.29
Euro Expt Oct 5	41.7	43.7	+0.7	2.68
Fixed Int Ex Oct 5	48.9	51.3	+0.4	9.8
Japan Expt Oct 5	52.5	54.6	+0.4	0.7
Managed Ex Sept 29	39.1	40.6	—	4.46
SE Asia Expt Oct 5	34.3	36.0xd	−0.8	1.88
Sm Cos Expt Oct 5	43.0	45.1	+0.4	2.82
UK Eqty Ex Oct 5	54.4	56.1	+0.4	4.6
New Court Property Fund Managers				
NC Property	191.5	209.3	—	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd2/9	771.0	817.0	—	3.75
Do Accum	795.0	844.0	—	3.75
PDFM Int Expt Sept 29	127.0	129.1	—	2.67
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Society				
Investment Mngt: M & G Inv Mngt Ltd				
AA Friendly Sy Sept 8	—	134.9	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth. 0202 292373				
Prop. Ser. 1	263.0	276.9	+0.4	—
Equity Ser. 1	122.2	138.2	−1.5	—
Prop. Acc. Ser 2	380.8	400.9	+0.6	—
Equity Ser 2	127.4	134.2	−1.7	—
Selective Acc	289.9	305.2	−1.6	—
Prop. Ser. 4	300.4	316.3	+0.1	—
Equity Ser. 4	131.2	138.2	−1.4	—
Fixed Int. Ser. 4	215.2	226.6	+0.4	—
Indexed Inv. Ser. 4	122.6	129.2	+0.3	—
American Ser. 4	262.9	276.8	−1.9	—

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OTHER UK UNIT TRUSTS

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	176.6	185.9	+0.1	-
Prop. Acc. (Gross)	285.8	300.9	-	-
Equity (Gross)	651.5	685.8	-7.7	-
Managed (Gross)	469.6	494.4	-3.9	-
Prop. Acc. (Net)	132.1	139.1	-	-
Equity (Net)	152.9	161.0	-1.4	-
Managed (Net)	144.7	152.4	-0.9	-
Internat'nal (net)	131.6	138.6	-0.7	-
Gilt & Fixed Interest	100.3	105.6	-	-
Money Fund	101.1	106.4	-	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	444.2	467.6	-4.2	-
Ret Man (Series 2)	150.6	158.6	-1.4	-
Ret Man (Series 3)	99.1	99.1	-0.9	-
Ret Cash	125.3	131.9	-	-
Ret Cash (Series 3)	102.7	102.7	-	-
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd.	389.7	410.3	...	-
Eb'r Ph. Eq.	329.4	350.5	...	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	167.4	176.2	-1.8	-
International Acc.	142.1	149.5	-0.9	-
Property Acc.	149.5	157.3	...	-
Fixed Interest Acc.	157.4	165.6	+0.1	-
Money Acc.	144.6	152.2	+0.1	-
Bldg. Soc. Link Acc.	141.5	148.9	+0.1	-
Special Mnged Acc. Q	153.0	161.0	-1.0	-
Phoenix/Framlington				
Intl. Growth Acc.	88.80	93.40	-0.50	-
Am. Smllr Cos. Acc.	89.80	94.50	-0.80	-
Capital Tst. Acc.	171.5	180.5	-0.5	-
Japan & Gen Acc.	186.1	195.8	-1.0	-
American Turn. Acc.	97.90	103.0	-0.8	-
Recovery Tst. Acc.	177.0	186.3	-1.5	-
Special Mngd Acc.	150.1	158.0	-0.8	-
Phoenix/GT				
International Acc.	133.7	140.7	-0.3	-
US & General Acc.	88.10	92.70	-0.10	-
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	892.5	936.9	-7.5	-
Equity Fund	199.3	209.3	-2.9	-
International Fd.	132.4	139.0	+0.0	-
Fixed Interest Fd.	151.0	158.6	+0.3	-
Property Fund	196.3	206.1	...	-
Index-Linked Fund	125.6	131.9	+0.2	-
Deposit Fund	130.4	136.9	+0.1	-
Pens. Mixed (Ord) Fd.	207.4	217.8	-1.7	-
Gold Pensions				
Discretionary Fund		100.6	-0.8	-
Equity Fund		97.8	-1.3	-
Fixed Interest Fund		103.1	+0.1	-
International Fund		98.7	-0.1	-
Property Fund		116.9	...	-
Index-Linked Fund		102.5	+0.2	-
Deposit Fund		102.2	+0.0	-
S & F Consolidation		101.8	+0.1	-
S & F Balanced		98.7	-0.9	-
S & F Maximum Growth		95.1	-1.1	-
Provident Mutual Life Assc. Assn.				
Wilfian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord.	287.4	302.5	-0.6	-
Managed Init.	236.4	248.8	-0.5	-
Equity Ord.	399.7	420.7	-1.7	-
Equity Init.	328.7	346.0	-1.5	-
Index Linked Gilt Ord.	124.1	130.6	+0.1	-
Index Linked Gilt Init.	106.6	112.2	+0.1	-
Overseas Equity Ord.	257.7	271.3	+0.2	-
Overseas Equity Init.	212.0	223.2	+0.3	-
Property Ord.	176.0	185.3	-	-
Property Init.	144.8	152.4	-	-
Fixed Interest Ord.	171.6	180.6	+0.1	-
Fixed Interest Init.	141.1	148.5	-	-
Deposit Ord.	136.4	143.6	-	-
Deposit Init.	112.2	118.1	-	-
Pension Funds				
Managed Ord.	347.2	365.5	-0.8	-
Managed Init.	285.6	300.6	-0.7	-
Equity Ord.	500.4	526.7	-2.6	-
Equity Init.	411.5	433.2	-2.1	-
Pen Ind Lkd Gilt Ord.	133.9	140.9	+0.1	-
Pen Ind Lkd Gilt Init.	115.0	121.1	+0.2	-
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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¼	99	Treas. 9½pc '88	99xd	.....	–	–
102	99	Treas 11½pc 1989	99	–⅛	11.51	11.47
101	98	Treas 9½pc Cnv 1989	99½xd	–⅛	9.58	11.24
97	95	Treas 3pc 1989	96¼	.....	3.10	8.53
102	99	Treas 10½pc 1989	99	–	10.55	11.22
102	98	Exch 10pc 1989	99	–	10.09	11.10
103	99	Exch 11pc 1989	100	–	10.99	10.93
97	94	Treas 5pc 1986-89	95½xd	.....	5.24	9.68
104	98	Exch 10¼pcCv '89	99	.....	10.28	10.43
107½	102	Treas 13pc 1990‡‡	103	–⅛	12.60	10.22
104	100	Exch 11pc 1990‡‡	100	–⅛	10.90	10.18
107	102	Exch. 12½pc 1990	102	–	12.19	10.36
93	90	Treas. 3pc 1990	91xd	.....	3.28	8.93
99	95	Treas 8¼pc 1987-90‡‡	97⅛	.....	8.50	10.15
102	95	Treas. 8pc Cv 1990 ‡‡	98	–	8.15	9.15
105	98	Treas. 10pcCv 1990	99½xd	–⅛	10.05	10.27
91	87	Exch 2½pc 1990	88	+	2.83	8.58
107¼	101	Treas 11¾pc 1991	102	–⅛	11.43	10.30
95	90	Funding 5¾pc '87-91‡‡	91½xd	+	6.28	9.66
90	86	Treas. 3pc 1991	87	.....	3.44	8.61
105	98	Treas 10pc Cv '91 ‡‡	99	–	10.01	10.01
107	100	Exch. 11pc 1991	102	–	10.79	10.24
98	92	Treas. 8pc 1991	93	–	8.52	10.28
113	105	Treas 12¾pc 1992‡‡	107	–	11.92	10.18
104	98	Treas 10pc 1992	99	–	10.05	10.16
98	92¼	Treas. 8pc 1992 ‡‡	93	–	8.55	10.20
106	99½	Treas 10½pc Cv 1992‡‡	100xd	–	10.40	10.20
86	82⅛	Treas. 3pc 1992	83	.....	3.60	8.35
112	104	Exch. 12¼pc '92	106	–	11.52	10.21
117	108	Exch 13½pc 1992	110	–	12.29	10.25
97	91	Treas 8¼pc 1993	93	–	8.84	10.16
105	97	Treas 10pc 1993‡‡	99xd	–	10.04	10.10
115	107	Treas 12½pc 1993‡‡	108⅝	–⅛	11.51	10.15
93	87	Funding 6pc 1993‡‡	88	+	6.80	9.01

Five to Fifteen Years

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
121	112	Treas 13¾pc 1993‡‡	113⅝	–⅛	12.10	10.24

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

Shares close firmly in nervous trade

A TECHNICAL rally caught marketmakers on the wrong foot at the close of the London equity market, bringing a firm close to a session clouded over by developments involving several major stocks. The FT-SE 1800 level, lost shortly after the opening, was re-instated later in the day.

Nervousness ahead of Wall Street's opening reflected reports that Salomon Bros, the US securities house, had recommended a substantial reduction in the equity content of global investment portfolios. UK trading houses were also active, with a small two-way programme trade ascribed to BZW and another, more positive programme, believed to emanate from Smith New Court.

Account Dealing Dates			
First Dealings:	Sep 19	Oct 3	Oct 17
Option Declarations:	Sep 29	Oct 13	Oct 27
Last Dealings:	Sep 30	Oct 14	Oct 28
Account Day:	Oct 10	Oct 24	Nov 7

*New-time dealings may take place from 9.00 am two business days earlier.

The session started uncomfortably with indications of programmed selling from US houses, apparently focussing on electronics and insurances. Then came confirmation that the UK Monopolies and Mergers Commission had called for a halving over the next twelve months of the 21.7 per cent stake in BP – worth about £3bn – built up by the Kuwait Investment Office. The requirement, which would cost the KIO around £250m at current prices, could have wide ranging implications for the London equity market. The KIO, which said it was "extremely dissatisfied" with the ruling, has other major investments in UK equities. Oil analysts believe that it might be difficult to place large blocks of BP shares in current market conditions.

The market was then hit by a £479m rights call from Grand Metropolitan which further displeased the equity sector by announcing a $5.23bn tender offer for Pillsbury of the US, rather than for any one of the UK food groups targetted for a bid from Grand Met in the wake of the sale of the Intercontinental Hotels subsidiary.

These factors helped drive the FT-SE index down by more than 15 points before the market rallied to trade cautiously ahead of New York's entry. In the event, Wall Street opened little changed and UK equities extended the rally to close with the FT-SE Index at 1807.3, a net gain of 4.7. Seaq volume of 440m shares, comprising both intra-dealer and retail business, compared with 336.6m on Monday.

An increased offer of £745m for Pleasurama from Mecca Leisure was not unexpected. However, a management buy-out approach at Invergordon, the distillery group 64 per cent owned by Hawker Siddeley, kept speculative interest alert.

The recovery in the market in the face of the potentially unsettling factors encouraged optimism among some market analysts. Although turnover in the blue chips remained modest, there was support for Glaxo, ICI and BOC, while oil shares continued to stand up against weakness in crude oil prices.

FINANCIAL TIMES STOCK INDICES

	Oct	Sep.	Sep	Sep	Sep	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.04	87.96	87.92	88.31	87.80	85.74	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.69	96.71	96.58	96.42	96.36	91.88	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1457.6	1455.8	1476.5	1477.6	1488.4	1888.3	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	172.6	171.1	171.6	172.4	170.8	444.6	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dt. Yield	4.74	4.74	4.68	4.68	4.72	3.16
Earning Yld %(full)	11.96	11.96	11.80	11.81	11.91	7.76
P/E Ratio(Net)(☆)	10.13	10.12	10.26	10.26	10.17	15.72
SEAQ Bargains(5pm)	21,665	21,197	27,925	26,176	23,112	37,443
Equity Turnover(£m)†	-	835.72	1259.20	1299.54	890.84	1,811.44
Equity Bargains†	-	23,383	26,320	26,741	22,081	45,596
Shares Traded (ml)†	-	369.1	452.4	498.2	336.6	558.3

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1448.7	1442.2	1446.9	1448.6	1453.8	1453.8	1454.7	1460.4

DAY'S HIGH 1460.6 DAY'S LOW 1441.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.05 †Excluding intra-market business

S.E. ACTIVITY

Indices	Oct 3	Sep 30
Gilt Edged Bargains	84.3	98.7
Equity Bargains	161.5	183.5
Equity Value	1889.2	2546.2
5-Day average		
Gilt Edged Bargains	108.4	109.1
Equity Bargains	158.4	155.2
Equity Value	2107.1	2065.6

London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,100	143	+1½	Cons. Gold Fields	1,200	1281	-½	Land Securities	1,200	568	-2	[illegible]	1,300	403	[illegible]
Abbey Life	1,800	332½	+½	Cookson	1,000	264	+6½	Laporte	444	376	+1½	Royal Bk. of Scotland	1,200	347	
Allied-Lyons	3,200	408½	-6½	Courtaulds	1,600	276	-2	Legal & General	956	307	-1	Royal Insurance	2,000	382	
Amstrad	5,300	210	-5	Dalgety	1,300	315		Lloyds Bank	2,200	314		STC	887	276	-1
Argyll Group	1,400	165	-½	Dixons	920	144	+2	LASMO	1,700	555½	-3½	Saatchi & Saatchi	15	350	
Ass. Brit. Foods	167	315		Eng. China Clays	403	498	+3	Lonrho	2,705	294	-1	Sainsbury	648	239	-1
[illegible]				[illegible]				[illegible]				[illegible]			
British Airways	4,200	165	+3	GKN	2,200	314	+8	Plessey	3,000	154½		Tesco	2,000	192	-1½
Brit. Aerospace	1,500	457		Gateway	945	322	+1	Prudential	1,400	756		THORN EMI	585	631	-6
Brit. & Comm.	566	218	-1	[illegible]	160	635	+8	Racal	4,600	293	-2	Trafalgar House	775	310½	-1½
British Gas	4,700	173½	+3	[illegible]	4,900	149½		Rank Org.	1,500	786	+5	Trusthouse Forte	3,500	266	-1½
British Land	571	327	+2	Harrisons & Cros.	49	646	-4	RMC	611	491	+6	Ultramar	1,300	253	-3
BP	14,000	237		Hawker Siddeley	1,000	514	+4	RHM	1,300	377	-2	Unilever	1,100	454	
British Telecom	2,900	242	+1½	Hillsdown Hldgs.	1,100	264	+1	Reckitt & Colman	543	969	+9	United Biscuits	1,700	285	-3
Burmah Oil	1,200	550	+22	IMI	639	208		Redland	454	470	+2	Utd. Newspapers	525	397	-2
Burton	2,200	193	+3	Imp. Chem.	965	£10½		Reed International	977	410	-4	Wellcome	749	595	+8
Cable & Wireless	904	387	+1	Inchcape	1,300	209½	+1½	Reuters 'B'	562	497	+1½	Whitbread 'A'	1,100	294	-1½
Cadbury Schweppes	7,500	376	+3	Jaguar	1,000	257	+1	RTZ	891	445	+6	Williams Hldgs.	929	241	-1
Coats Viyella	1,300	168		Ladbroke	1,100	443	-5	Rolls-Royce	1,200	131½	+1	Wimpey	300	248	
Commercial Union	1,600	337½	+1½									Woolworth Hldgs.	1,400	258	+2

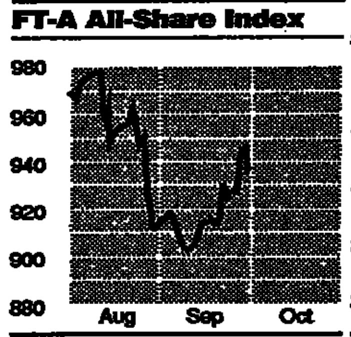
BP stake ruling fuels oils

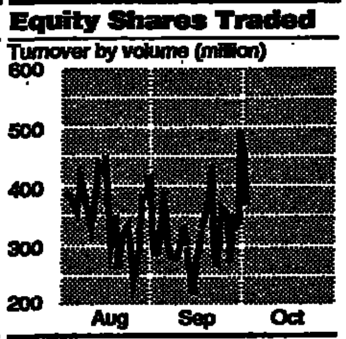
The ruling on the Kuwait Investment Office (KIO) stake cast a a pall over the BP share price as marketmakers braced themselves for the sale of half the KIO's 21.7 per cent stake over the next twelve months. However, two way trade was reported in the shares which closed barely changed from overnight levels.

One bizarre spin-off from the situation came when Burmah jumped 22 to 550p in late dealings. The market scoffed at rumours that the KIO might switch its holdings to Burmah, but pointed out that, via its Castrol lubricants subsidiary, Burmah is an immediate beneficiary from falling crude oil prices.

BP new shares dipped ⅛ to 135p, with 8.1m traded, and the old ended unchanged at 237p on 12m shares. "The KIO will be forced to look for a series of block placings with institutions", commented Christine Baker of Nomura Securities, "and such moves would not be all that easy in the context of falling world oil prices." Dealers scouted suggestions that the KIO had already started placing the stock.

The market had been prepared for a cut in the KIO stake to 15 per cent. The more stringent ruling means that "300m more BP shares are looking for a home", said Philip Lambert of Kleinwort Benson. BP shares are expected to underperform against other oil stocks in the near term, although longer term prospects will be unaffected, according to most analysts.





Grand US pounce

Grand Metropolitan wasted no time in revealing its plans to spend the money raised by the recent sale of its InterContinental hotel chain. After announcing a £3.1bn cash bid for the US food and retail group Pillsbury, Grand Met saw its shares tumble 32 to 454p. Turnover was heavy at 14m shares, with dealers reporting good two-way business, while there was also heavy traded options activity.

The scale of the fall was blamed partly on the perceived generosity of the offer and partly on the £479m rights element, but analysts were quick to say that the price had been marked down too far - "470p would be a more realistic level," said one.

Nevertheless, the bid has been judged as well handled and the $60 per share offer is expected to pre-empt a bidding war. "This is not going to be a BAT/Farmers repeat," commented a dealer. At a meeting for analysts Grand Met claimed yesterday that the bid, if successful, would involve no dilution of earnings and indicated its broad strategy. Interest focused on the troubled Burger King chain, with Grand Met saying it would sell Pillsbury's captive supplier Distron in an attempt to improve Burger King's performance.

Mecca ups stakes

Pleasurama suffered a sudden reversal after predator Mecca Leisure announced the terms of its increased bid. After an initial rise to 249p, Pleasurama shares tumbled to close at 217p, down 14p on the day in turnover of 2.9m, while Mecca Leisure shares fell 4 to 167p as 820,000 shares were traded.

The terms of the bid left analysts and dealers juggling figures and permutations, but there was agreement that the Pleasurama price was marked down to discourage investors from dumping stock on the market. As one analyst remarked, "The jury is still very much out on the question of whether the bid will succeed. On today's evidence it could still go either way." There were plenty of investors willing to place bets yesterday, with the Mecca share price finding support from solid, but unidentified, buying.

The sub-underwriting of the cash element of the bid was being done yesterday and analysts were anxiously watching its progress in an attempt to gauge sentiment. One positive factor mentioned was that following a successful bid the new group would probably be large enough to be included in the FT-SE 100 index.

Scottish reel

Invergordon Distillers ran 30 higher to 342p after a brief announcement that a management buy-out is under consideration. This came after recent speculation that a hostile bidder might be about to emerge with an offer for Hawker Siddeley's 64.6 per cent stake.

Hawker has been trying to sell Invergordon for years and is thought to be trying to take advantage of improved fundamentals for the whisky industry. Analysts said yesterday that it was too early to speculate on a price for a buy-out, but 375p-400p per share was suggested as the likely range. "It's impossible to say what Hawker would see as a good price," said one, "but if it sells its stake to management it might be prepared to be generous. As for the mysterious third party, it is so mysterious you have to ask whether it exists at all." Hawker Siddeley shares rose 4 to 514p.

Sears were assured of a centre-stage position after announcing better-than-expected interim profits. Volume totalled 4.9m as the shares pushed ahead to close 4 higher at 130p. Group half-year profits were above market estimates at £102.3m, compared with £93.3m, in spite of a poor showing by the William Hill betting chain.

Sears has been the subject of intense bid speculation for some while and once again Mr Geoffrey Maitland Smith, chairman of the group, dismissed this as "market gossip". In view of the recent heavy volumes in Sears shares, a number of marketmakers were not entirely convinced by the remarks. One source has upgraded its full year profits forecast for the group in the wake of the figures, but points out that with a bid premium already built into the price it rates the shares as overvalued.

The excitement over the BP stake held by the KIO dominated the oil sector, leaving other major stocks once again to brush aside the downward trends in global oil prices. Shell (960p) steadied, while British Gas (173½p) closed higher.

Among speculative issues Enterprise Oil at 641p recovered a few pence as the market adjusted to the disclosed delay in the auction of LASMO's stake in the company. At 555p LASMO gave up a few pence.

The banking sector experienced slightly better volume in most of the clearers, but orders were evenly matched and quotations finally showed little change. Midland alone failed to attract any worthwhile interest, which dealers thought mildly surprising in view of the increased Kuwait Investment Office stake. Some merchant banks went higher with Morgan Grenfell gaining late to close 7 up at 292p and Leopold Joseph rising 8 to 426p.

Insurance stocks, said to be included among the overnight programme trades, registered few notable movements. Sun Life slid further to 995p offered, before bouncing back to end higher on the session at 1018p. Other late climbers among brokers included Dewey Warren, 6 dearer at 128p, and C E Heath, 8 better at 423p.

Store shares took on a firm appearance as the day progressed. Volumes were at a relatively low level, but prices gradually edged higher in the absence of sellers. Marks and Spencer traded more briskly than most (3.3m) with the shares settling 4 dearer at 167p. As predicted, the group announced yesterday its move into financial services with the launch of a unit trust.

European Home Products closed only a shade cheaper at 302p as Morgan Guaranty successfully placed some 3m shares with institutional investors.

Amstrad fell 5 to 210p in turnover of 5.3m shares after announcing results at the very top end of expectations, with dealers blaming a nervous wider market for the fall. News of the £45m investment in an option to take a 9 per cent stake in one of its US suppliers, Micron, was well received - "It should help alleviate current supply problems," said one trader.

Other leading electrical stocks were mixed. Plessey stayed put at 154½p, despite a large line of shares going through as part of a programme trade. BSR recovered 3 to 67p. Domino Printing fell 63 to 227p after a warning about the performance of its US subsidiaries.

Among second-liners, Multitone rose 7 to 75p on scrappy buying in a thin market amid vague hints that a bid could be on the way, while Densitron rose a similar amount to 72p.

GKN took a turn for the better after Monday's sharp reaction to the group's purchase of a 22 per cent stake in Westland, the helicopter manufacturer. Commenting on the deal, Citicorp Scrimgeour Vickers, the securities house, says that the move looks sensible on a long term view and the high yield on GKN limits any downside.

W.A. Tyzack, reflecting the bumper preliminary figures, moved ahead smartly to close 8 higher at 135p.

Interest expanded in British Airways, with the shares moving up 3 to 165p in turnover of 4.2m. BZW, the securities house, is currently taking a bullish stance on BA and expects the shares to outperform over the short-term. Christies International continued to attract buyers in the wake of the recent interim figures and moved ahead smartly to close 18 to the good at 586p. MY Holdings jumped 25 to 101p on the agreed bid from Tawneydown.

Speculative interest switched from Illingworth Morris to the much larger Textile manufacturer Dawson International, which rose 5 to 216p as hopes of a bid resurfaced. Fresh reports that Mr A J Lewis, Illingworth Morris chairman, had agreed to sell his controlling 51 per cent stake, possibly to a predator intent on breaking up the company, failed to excite the market and the shares reacted 8 to 217p. Allied Textile, mentioned in despatches recently as the most likely predator, slipped 7 to 332p.

Confusion surrounded Rothmans International following the after-hours message that Rupert Foundation SA had sold its 30 per cent stake. Marketmakers' quotations quickly showed reverse spreads at rising prices before it was realised that Rembrandt, ultimate owner of the stake, may merely be transferring the interest to its newly-formed Swiss subsidiary.

Increased annual revenue was good news for Murray Ventures and the ordinary rose 6 to 266p while the warrants advanced 8 to 101p. LIT Holdings (145p) responded to the purchase of 24.5 per cent of Levitt Group, a financial services company, and option to raise to 33.33 per cent in a year's time.

Hopes of the group reporting much improved first-half results today inspired buying of James Finlay, up 4 at 119p. County NatWest WoodMac forecasts profits of £2.5m, against last year's small loss, while for Harrisons & Crosfield (H&C), also scheduled to reveal interim figures, the securities house is looking for £46m, compared with £35.6m. H&C shares shaded to 646p. Inchcape hardened to 209½p behind the latest US acquisitions which expand the group's fast growing worldwide inspection and testing business, now second only to SGS, the Swiss concern. Lonrho eased amid far smaller turnover of 2.7m shares.

Turnover in Traded Options made a sharp recovery from the depressed level of Monday, reaching 43,016 contracts, against the previous day's 24,118, and comprised 25,129 calls and 17,887 puts. The news from Grand Met meant that there were 5,785 option contracts traded in its stock, on the bearish note of 2,350 calls and 3,435 puts. Trading in the FT-SE 100 index also lay on the bearish side, with turnover of 7,203 made up of 1,291 calls and 5,912 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (42). BRITISH FUNDS (6) [illegible] STORES (1) Aspray, ELECTRICALS (5) Densitron, Isopad Intl., Jones Stroud, Multitone Elect., P & P, ENGINEERING (4) Edbro, Fife Indmar, Ransomes Sims, Tyzack (W.A.), FOODS (1) Kraft Inc., INDUSTRIALS (9) Dauphin, French (Thos.), Grampian, Hornby Grp., Hughes (H.T.), Macfarlane Grp., MY Hldgs., Wassall, Wilkes (J.), LEISURE (1) Virgin Grp., PROPERTY (1) Erostin Grp., TRUSTS (3) Gartmore European, Murray Venture Wrnts., London Entertainments, OILS (1) Ex. Co. Louisiana, OVERSEAS TRADERS (1) Finlay (James).

NEW LOWS (42). CANADIANS (1) Bonanza Gold, BANKS (1) [illegible] Omnitech, Spong Hldgs., LEISURE (1) Hi-Tec Sports, PAPERS (1) Portsmouth & Sunderland, PROPERTY (3) Connells Est. Agts., Zurich Grp., TEXTILES (1) Stoddard, TRUSTS (4) Amalgamated F. Invs., Baltic, Thai Euro Fd., York Tst., OILS (3) Aran Engy., Conroy Pet. Nat. Res., Firstland Oil, MINES (8) Beatrix Mines, Brunswick, Julia Mines, Mawson Pacific, Emex Int., Glencar Explo., Kenmare Res., Thorco Res., THIRD MARKET (4) Caldwell Instr., Eglinton Exp., Feltrim Mining, Ovoca Gold.

APPOINTMENTS

Reorganisation at Ocean Transport

■ Mr H.J. Smeeton has been appointed an executive director of OCEAN TRANSPORT & TRADING and will be responsible for group business development. He was managing director of the environmental management division.

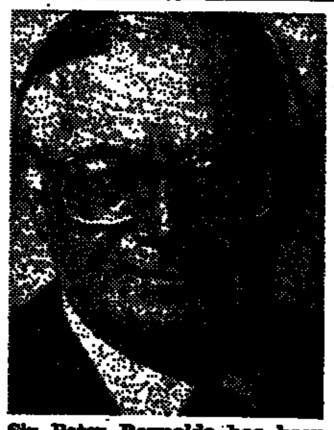
Mr J.J. Sayers, who joined Ocean in 1970, has been appointed managing director, environmental management division. He has been managing director of the group's bulk liquid storage company, Panocean Storage & Transport. He will be succeeded by Mr I.L. Walker, previously deputy managing director. Panocean will now form part of the storage and distribution division under Mr J.C. Fraser.

Mr C.D. St Johnston, group deputy chief executive, will be leaving the company at the end of the year, but, until then, continues as a director.

■ Mr Brian Usher has been made sales and marketing director of CEE RELAYS.

■ Mr Graham M Creswick, financial director designate of SILENTNIGHT HOLDINGS since last November, has become a member of the board. Mr Creswick was formerly a director of Ronson.

■ Broadcast Communications, independent television producer, has made Mr Michael Hogan a director of CHANNEL FIVE TELEVISION, a wholly owned subsidiary. He will be responsible for the development and marketing of new programmes for broadcast.



Sir Peter Reynolds has been appointed non-executive deputy chairman of AVIS EUROPE. Sir Peter is chairman of Ranks Hovis McDougall.

■ Mr Douglas Hawkins has been appointed chairman and chief executive of OEM, office equipment manufacturers. Mr Hawkins, formerly with stockbrokers James Capel, replaces Mr A.J. Mills, who has retired. Also joining the board, as a non-executive director, is Mr Peter Marshall, chairman of Ocean Transport and Trading and formerly deputy chief executive and director of finance of Plessey.

■ SIMON CONTAINER MACHINERY, a member of the Simon Group, has appointed Mr Tony Stroud as sales director. He was works manager with Reed Corrugated Cases at Wigan. Mr John Oxford as marketing director will now concentrate on all marketing aspects of the business other than the direct sales function.

■ Mr Michael Bridge has been made managing director of MULTIPHASE SYSTEMS, a member of the Hollis Industries Group.

■ Ms Louise Botting has become chairman of DOUGLAS DEAKIN YOUNG and Mr Alan Warner managing director. Mr Jonathan Walne has been appointed a director.

■ Mr Montrose L. Emerson, president and chief operating officer of Roman Corporation, has joined the main board of LAWSON MARDON GROUP as a non-executive director. He was chief financial officer of Proctor & Gamble in Canada.

■ EUROBROKERS has appointed Miss Cindy Buggins as managing director of the newly formed Euro Brokers Capital Markets.

■ Mr John Everett, marketing manager, has been appointed marketing director of FSO CARS. Mr Alan Bucksey, formerly the service and parts manager, joins the board as service and parts director.

■ COUNTY NATWEST has made the following promotions: Ms Nisha Alvares Meneses, Mr Colin Kaye and Mr Simon Metcalf have been appointed executive directors. Mr Anthony Archer, Mr Clive Baker, Mr Maurice Blackman, Mr Robert Dobson, Mr Mark Florman, Mr Sam Gibb, Mr Nick Griffiths, Mr Stephen Hannah, Mr Lars McBride, Mr Robin Preston, Mr Patrick Wilson and Ms Sarah Kellett have all been made directors.

Mr Graham Dewhirst becomes a director of County NatWest Ventures; and Mr Philip Cole, Mr Michael Pauk and Mr Frederick Sharman are appointed directors of County NatWest Securities.

■ SONSUB, the Aberdeen-based subsea contractors, is making the following appointments following the resignation of managing director, Mr Stephen H. Joss: Mr Alexander Westwood, finance director, is appointed managing director, Mr John Pirie and Mr Michael Harman, general managers for UK and overseas operations respectively, are made executive directors. Mr James Mclean is appointed marketing director for the UK operating company, Sonsub Services.

■ Mr Bryan Burletson has been elected chairman and chief executive of CLAYFORM PROPERTIES.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar resists downward move

CURRENCY TRADING remained locked in a narrow range yesterday, lacking any fresh factors to move the market.

Attempts to push the dollar up have faltered recently, as the central banks have made it clear that they do not wish to see the US currency climb to a higher trading range. Dealers attention has therefore tended to turn towards finding how far down the dollar can be pushed, but this appears to be proving no more fruitful.

General selling in a quiet market pushed the dollar below DM1.86 yesterday morning. It hovered around a technical resistance point of DM1.8580, before moving down to a lower chart support point around DM1.8555, but then rallied back to around DM1.8600.

Breaking of resistance could have taken the dollar down to DM1.84, according to chart based trading, but the volume of selling was not heavy enough, and the market appeared to lack conviction.

The recent fall in oil prices has encouraged speculation that US inflation will be kept under control, and there will be no need for tighter monetary policy from the Federal Reserve.

This has encouraged traders to put downward pressure on the dollar, but oil prices showed no sign of moving any lower yesterday, with North Sea crude steady around $11.50, and oil futures trading unexpectedly firm in New York.

There was no intervention by central banks on the open market yesterday, but in Frankfurt the Bundesbank sold DM7.9m when the dollar was fixed at DM1.8596, compared with DM1.8671 on Monday. This was the first intervention by the Bundesbank at a fixing since September 29.

West German industrial production rose a seasonally adjusted 5.6 p.c. in August, after falling 3.7 p.c. in July, but this had no impact on the market.

At the close in Europe the dollar was very little changed, rising to DM1.8610 from DM1.8605; to SFR1.5795 from SFr1.5785; and to FFr6.3400 from FFr6.3350, but easing to Y133.20 from Y133.65.

The dollar was little changed from its Tokyo closing level of Y133.15 however.

According to the Bank of England the dollar's exchange rate index fell to 98.8 from 99.0.

There was also no strong reaction to news that the UK official reserves fell an underlying $148m in September. Part of this fall was probably linked to co-ordinated central bank intervention on September 26, when the Bank of England bought sterling as part of a general move to cap the dollar's rise.

Sterling fell 45 points yesterday to $1.6945. The pound also declined to DM3.1525 from DM3.1600; to SFr2.6775 from SFr2.6825; to FFr10.7425 from FFr10.7825; and to Y225.75 from Y227.00.

On Bank of England figures sterling's exchange rate index closed 0.2 lower at 75.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4676	+2.38	+0.92	±1.5344
Danish Krone	7.85212	7.96882	+1.49	+0.05	±1.5404
German D-Mark	2.05853	2.07366	+0.73	-0.71	±1.0981
French Franc	6.90403	7.06170	+2.28	+0.84	±1.3674
Dutch Guilder	2.31943	2.33921	+0.85	-0.59	±1.5012
Irish Punt	0.768411	0.773765	+0.70	-0.74	±1.6684
Italian Lira	1483.58	1546.12	+4.22	+3.35	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.4	Latest	Previous Close
£ Spot	1.6950-1.6955	1.7015-1.7020
1 month	0.54-0.53pm	0.53-0.52pm
3 months	1.43-1.41pm	1.39-1.37pm
12 months	4.30-4.25pm	4.23-4.15pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Oct.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6930-1.7020	1.6940-1.6950	0.54-0.51cpm	3.72	1.40-1.35pm	3.25
Canada	2.0495-2.0560	2.0510-2.0520	0.34-0.26cpm	1.75	0.84-0.72pm	1.52
Netherlands	3.55½-3.56½	3.55½-3.56½	2-1⅞cpm	6.54	5⅞-5½pm	6.18
Belgium	65.95-66.30	66.05-66.15	33-21cpm	4.90	83-67pm	4.54
Denmark	12.11½-12.14	12.12-12.13	4⅞-3⅞orepm	4.27	12⅞-11⅞pm	3.92
Ireland	1.1735-1.1820	1.1755-1.1765	0.49-0.43pm	4.69	1.34-1.21pm	4.34
W. Germany	3.15-3.16	3.15-3.15½	2-1⅞pfpm	7.14	5⅞-5½pm	6.66
Portugal	259.50-261.05	261.60-260.60	8-49cdis	-1.31	70-168dis	-1.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Oct.4	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Oct.4	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Oct.4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Oct.4	£	$
[illegible]	[illegible]	[illegible]
S. Af (Fd)	6.7270-6.8630	3.9605-4.0405
Taiwan	49.05-49.30	28.98-29.00
U.A.E.	6.2340-6.2395	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Oct.4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Volume up amid concern

VOLUME HELD up well quite well on the Liffe market yesterday, with long gilts trading over 19,000 contracts, compared with less than 10,000 on Monday and short sterling futures trading over 18,000 lots, against less than 8,000 on Monday.

Lack of incentive and market moving news has led to concern that trading volumes and open interest levels are likely to decline on Liffe in the next few months, simply because traders will find nothing to go for.

This view is largely the result of last week's indication from the Bank of England that UK bank base rates will not be allowed to fall in the near future, but also reflects tight trading ranges in the currency market.

The pound's decline against the D-Mark pushed short sterling futures down, before support was found at 88.09 for December delivery. The contract closed only slightly above the day's low at 88.11, after opening at the high of 88.22.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	544	615	2	5
92	347	426	5	16
94	159	253	17	43
96	45	137	103	127
98	12	50	234	240
100	3	21	425	411
102	1	7	623	561

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	656	655	8	43
84	501	517	17	105
86	319	349	35	137
88	156	245	108	233
90	58	152	210	340
92	25	112	341	500
94	10	48	526	636

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
16500	1631	1649	1	19
17000	1138	1193	8	63
17500	682	793	52	163
18000	325	476	195	346
18500	114	254	484	624
19000	28	120	898	990
19500	5	50	1375	1420

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series								Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 20,345

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates stay firm

THERE WAS a further firming of interest rates on the London money market yesterday. Three-month interbank rose to 12⅛-11⅞ p.c., from 12-11⅞ p.c., as dealers continued to assess recent developments, including last Friday's indication from the Bank of England that base rates are unlikely to fall below 12 p.c. in the near future.

The Bank of England initially forecast a money market credit shortage of about £200m, but revised this to £250m at noon, and to £150m in the afternoon.

UK clearing bank base lending rate 12 per cent from August 25 & 26

Total help of £138m was provided. The authorities did not intervene in the market before lunch, but in the afternoon bought £113m bills outright, by way of £81m bank bills in band 1 at 11⅞ p.c., and £32m bank bills in band 2 at 11⅞ p.c. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £224m. This was partly offset by Exchequer transactions adding £50m to liquidity; a fall in the note circulation of £50m; and bank balances above target of £30m.

In Frankfurt credit conditions were comfortable, with call money unchanged at 4.80 p.c. The general background for interest rates is stable, with the West German Bundesbank not expected to change its monetary policy at tomorrow's council meeting.

The Bundesbank has offered liquidity to the market this week, via a 28-day securities repurchase agreement tender, at an unchanged fixed rate of 4.25 p.c. There will be no second variable rate offering. An earlier repurchase pact of DM14.6bn expires today.

Dealers expect the central bank to keep the market liquid, but there is generally believed to be less need for assistance this month, than in September when the market was faced with heavy tax payments.

In Brussels the Belgian National Bank cut the interest rate on four-month paper issued by the Securities Regulation Fund by 0.05 p.c. to 7.40 p.c., but the key three-month rate was unchanged at 7.35 p.c., and shorter-term paper was also left unaltered.

In Rome the Bank of Italy held another reverse repurchase tender against Treasury certificates. The central bank offered L8,000bn to the banking system on Monday, and L4,000bn yesterday.

The average acceptance rate at yesterday's tender rose to 10.49 p.c. from 10.32 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.4)	3 months US dollars		6 months US Dollars	
	bid 8⅝	offer 8¾	bid 8⅞	offer 8⅞

MONEY RATES

Oct.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Oct.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
28⅝	19⅛	Texaco $6.25	26½	−⅛	$3.00	—	6.6
27¼	22¾	Texas Instr. $1	24⅛	−⅛	72c	—	1.8
69	43¼	Time Inc. $1	64⅝	−⅛	$1.00	—	0.9
21½	15¾	Transamerica $1	20⅞	−⅛	$1.84	—	5.3
20¼	14½	TRINOVA Corp	16⅛	+⅛	64c	—	2.3
19	15¼	USX $1	17⅝	+⅛	$1.20	—	4.1
23¾	17⅝	Utd. Technologies	23⅛	+⅛	$1.60	—	4.0
34⅝	26¾	US West	34¼	−⅛	$3.52	—	6.0
24⅞	16⅞	Waste Management $1	24½	−⅛	48c	—	1.2
16¾	12¾	Whirlpool $1	15⅝	+⅛	$1.10	—	4.2
33¼	18¼	Woolworth $3½	32⅞	−⅛	$1.64	—	3.0

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	195p	.....	—	—	—
32p	11p	Abbot Energy Corp	13½p	−½	—	—	—
14¼	916p	Amer Barrick Res	10	.....	—	—	—
10p	3p	American Lightwave	6¾p	−¼	—	—	—
47p	9¼p	Armeno	9¼p	.....	—	—	—
76p	37p	Augmitto Explo	40p	+3	—	—	—
14⅛	10⅝	Bk. Montreal	13⅞	.....	$2.00	—	7.0
740p	514p	Bk. Nova Scot.	724p	+5	76c	—	5.1
18⅝	15¼	BCE	17⅞	.....	$2.44	—	6.6
716p	591p	Bow Valley	689p	−11	40c	—	3.2
13⅝	10½	Brascan	12½	.....	88c	—	3.4
328p	183p	Breakwater Res.	195p	.....	10c	—	2.5
12	801p	Can. Imp Bank	11¼	+⅛	$1.16	—	4.8
11½	841p	Can. Pacific	10½	.....	60c	—	2.8
41½	38½	Do. 4pc Deb £100	38½	.....	4%	—	10.4
515p	362p	Central Capital "A"	451p	−29	—	—	—
485p	378p	Corona Corp.	408p	−12	—	—	—
886p	288p	Cons. TVX Min.	298p	.....	—	—	—
371p	76p	Danbus Res.	141p	.....	—	—	—
686p	430p	Derlan Inds.	609p	+1	11.75c	—	0.9
14¼	947p	Echo Bay Mines	10⅛	+⅛	$0.07	—	0.4
40p	14p	Energex Minerals	14½p	—	—	—	—
125p	83p	Euro-Asia Capital Ltd.	97p	−1	—	—	—
386p	222p	Galactic Resources	274p	.....	—	—	—
125p	83p	Geodome Res.	98½p	−3	—	—	—
394p	164p	Granges Explin	285p	+1	—	—	—
17p	7p	Gt. Pacific Res.	7½p	.....	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr
183	86½	Jarvis (J.) 5p	160	.....	1.6	3.5
133	71	Jennings AS.50	117	.....	Q20%	2.1
136	98	Johnst'as Pts. 10p	101	.....	d4.765	2.3
£135	£100	Lafarge Cop. F100	£138	+1½	Q25%	5.3
356	270	Laing (John)	296	+3	†7.0	6.0
293	260	Latham (J.) £1	292	.....	9.5	3.4
179	111	Lawrence (W.)	145	.....	4.75	3.3
187	139	Do 8.5pc CnRdPf £1	160	.....	8½%	—
58½	38½	Lilley (F.J.C.) 12½p	51	+1	—	—
110	95	Lon. & Clydeside	103	.....	d5.7	1.4
260	195	Lovell (Y. J.)	205	.....	†5.0	3.7
509	361	McAlpine (Alfred)	364	−1	†16.0	3.1
497	367	McCarthy & Stone 20p	374	+1	†4.1	8.0
320	190	McLaughlin & H.	308	+3	†8.0	2.6
262	187½	Magnet	212	+6	6.9	2.7
202	147	Manders (Hldg)	197	.....	†h5.5	2.1
173	128	Marley	155	+2	†5.0	2.9
263	224	Marshalls Halifax	225	.....	7.25	2.8
103	94	Do. 6½p Cv Cm Red Pf.	97	+1	6.5	—
133	79	Maunders (J.) 20p	101	+1	†h1.9	4.9
429	341	Meyer Int.	371	+4	9.5	4.6
243	56	Miller (Stan) 10p	228	+2	†1.25	0.7
438	347	Mowlem (J)	374	−1	†17.25	2.2
108	82	NSM 10p	84	.....		
108	84	Needler Group	85	−1	u09.8	2.1
£17	£10⅝	Newarthill £1	£17	.....	s14.0	3.2
186	166	Newman-Tonks	167	−2	†7.7	1.8
*184	109	Persimmon 10p	164	.....	M3.0	5.9
128	87	Phoenix Timber	108	.....	2.5	3.3
805	715	Pochins	805	.....	16.0	4.9
162	132	Polypipe 10p	134	−1	2.1	
193	172	Prowting 20p	188	−1	W4.25	3.5
498	423	RMC	491	+6	†11.0	4.4
111	82	Raine Inds. 10p	86	.....	†1.4	3.5
180	130	Ramus	138	.....	6.5	2.4
*450	387	Redland	418	+2	15.85	2.4
£98½	£84½	Redland Cap. 7½pc Cv '02	£88½	−½	Q7½%	—
128	111	Roskel 10p	117	.....	u2.7	3.1
205	88	Rowlinson 10p	178	.....	0.9	9.1
285	125	Ruberoid	268	.....	M6.0	3.0
144	111	Rugby Group	127	+1	†h4.25	3.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

For CAP Group see Sema Group

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♯ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♯ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend [illegible] dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.....y	71xd	......
Craig & Rose £1....y	698	......
Finlay Pkg. 5p.....y	85xd	......
Holt (Jos) 25p.....y	£11 3/16 xd	......

Arnotts..........y	395	......
Carroll Inds.........y	168	......
Grafton Grp..........y	134	+4
Hall (R. & H.)........	158	......
Helton Hldgs.........y	60	+1
Irish Ropes..........y	160	-3

IRISH

Cap. 8½% Ln. 1991	£98½	......
9pc Cap Ln. 1996..	£100¾	......
Fin. 13% 97/02...	£121¼	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
[illegible]	[illegible]

NEI	18
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
[illegible]	[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

[illegible]

COMMODITIES AND AGRICULTURE

Aflatoxin adds to US drought misery

By Deborah Hargreaves in Chicago

THE DETECTION of widespread toxins in the Midwest maize crop is fuelling confusion in the grain trade as the harvest draws to a close.

Many samples of maize from Iowa to Indiana have been found to contain aflatoxin – a fungus that can kill cattle and cause cancer in humans. The poison is rarely found in the Midwest and is believed to be a result of this summer's severe drought.

Grain elevators across the Midwest are often not equipped to test adequately for the toxin and many are rejecting grain under the slightest suspicion of contamination.

Some farmers have already been forced to plough under some contaminated maize. Grain that contains more than 20 parts of aflatoxin per billion is prohibited for use in human consumption and milking cows.

The extent of the damage to the crop in the heart of the cornbelt is uncertain since testing has been patchy. But Illinois officials have reported that a third of the maize they have tested was found to be unfit for human consumption.

The aflatoxin scare has been supporting futures prices at the Chicago Board of Trade where grain futures traditionally drop in price as the harvest is completed. Although maize trading has been light, futures prices have remained steady to slightly lower.

The uncertainty surrounding the toxin was one of the factors prompting Mr Richard Lyng, US agriculture secretary, to announce a reduction in next year's feed-grain acreage set-aside to 10 per cent from its previous 20 per cent level. The US Department of Agriculture has forecast a drop in maize stocks to 1.6bn bushels by October next year – enough to fill domestic and export demand for only 10 weeks.

However, Mr Bruce Nathanson, grain analyst at Linnco Futures in Chicago believes the maize stockpile could fall even lower to 1.13bn bushels. He believes exports will be higher than expected next year with demand particularly strong from the Soviet Union.

The Soviets and other buyers have very strict provisions on toxin levels in imported maize and are expected to be testing carefully for aflatoxin.

● Maize owners will be allowed to blend grain contaminated with aflatoxin with uncontaminated supplies to achieve tolerable levels, but only for animal feed use and under certain restrictions, according to the Food and Drug Administration, reports Reuter from Washington.

Saudi Arabia loses patience with oil quota cheats

Steven Butler on the more aggressive stance being taken by Opec's biggest producer

SAUDI ARABIA has finally lost patience. After two years of watching a progressive breakdown in oil production discipline by neighbouring Gulf countries it has decided it has had enough.

The Saudis have been the most faithful adherents to production agreements of the Organisation of Petroleum Exporting Countries, yet they have now lifted production to an estimated 5.7m barrels a day, about 1.4m b/d above the agreed quota level.

On Monday evening they explained why. "The Kingdom will not accept an Opec member adding to its quota at the Kingdom's expense and will not freeze its production while others increase," said a statement approved by a the Saudi cabinet, chaired by King Fahd.

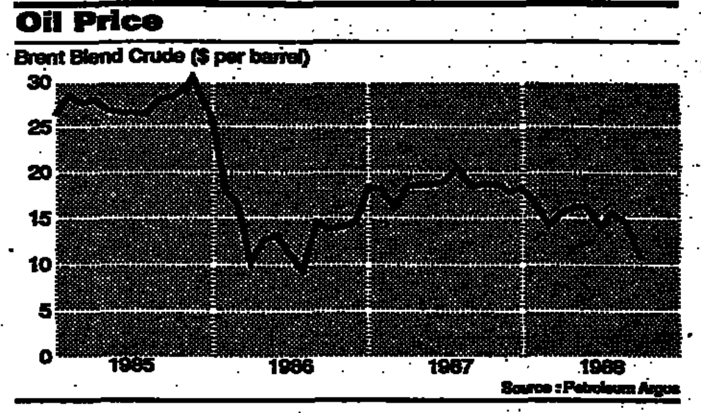
This is the boldest statement, and the most most aggressive move yet, by Opec's biggest oil producer. In recent months Saudi Arabia has merely repeated that it would never again act as swing producer, reducing its own production to compensate for a glut on the market, and stuck to its 4.3m b/d quota.

Meanwhile it watched Iraq, and later the United Arab Emirates, rake in the cash by sharply boosting output beyond what was sanctioned by the cartel. Iraq simply refused any Opec quota, last set at 1.5m b/d, and lifted production to nearly 3m b/d.

It was an extremely successful strategy for Iraq. As the first and biggest overproducer in the cartel it reaped the greatest benefits, since its own high level of production had relatively little direct impact on the oil price.

The UAE, and Kuwait later followed suit in a big way, and there are reports that even Iran has managed, against expectations, to lift its production above 3m b/d, compared with its quota of 2.369m b/d.

When Saudi Arabia, however, kicks in with its own enormous spare production capacity it is in effect calling the game on all the other players, who will now watch revenues slip as the price plunges.



Because of this, a number of analysts have moved forward their estimates of when a new production accord might be put in place. The possibility of a breakthrough at the October 20 long-term strategy committee meeting, or the November 21 full ministerial meeting is now rated higher.

This would be based on a view that Iraq and Iran are revenue maximisers who would accept a possibly distasteful political compromise in order to agree a formula for an equal production quota. The UAE would also have to follow suit.

On the other hand, the Saudi statement has an air of unreality about it. It says that the best way to rebalance the oil market would be for Opec members to return to agreed production levels. For many Opec members this is simply a dead issue, and even Dr Subroto, the Opec secretary general has said that the cartel needs to rethink its entire strategy.

The cabinet warned non-Opec states not to take a back seat, yet it is Opec that has so far spurned offers of non-Opec oil producers to co-operate in controlling world oil production.

It is hard to imagine, moreover, that the Saudi cabinet was serious when it warned industrial countries that efforts to curb oil consumption would in the end harm those very countries. The logic apparently is that some Opec countries would face a financial crisis if prices fall because of low consumption.

While this could be serious problem for some banks, blame for the current state of oil prices cannot credibly be placed outside of Opec itself. In any case, the economic benefits of cheaper energy in the short run are probably more than enough to compensate for these sorts of difficulties.

Expectations of a new consensus forming in Opec are far from unanimous.

"I'm starting to wonder if low oil prices, sub-$10, will be around for a long time," says Mr Phillip Morgan, an analyst at SBCI Savory Milln.

This sentiment is echoed by Mr Humphrey Harrison, of Kitcat & Aitken, who believes that the Saudis, while welcoming any fresh proposals for Opec should they come forward, are digging in for a long siege.

"It is all about who dominates the Gulf post the war," he says, implying that all the Gulf producers are getting ready for a protracted battle.

"This time around the whole thing is much messier," says Mr John Toalster, of Hoare Govett, comparing the current situation to the price collapse of 1986. "You have to get people in a frame of mind where they will accept a very unreasonable quota allocation."

This is the crux of the problem. Iraq has made plain that it wants to be able produce more in order to lift revenues for reconstruction following the war; the UAE has rejected its quota outright; and Iran, being in difficult economic straits, will undoubtedly want to expand production.

Many analysts believe, however, that by the first quarter of 1989, the call on Opec crude may fall to about 17m b/d, which would mean a steep cut from current production, estimated at roughly 20.5m b/d.

The question is who will take those cuts, and that may well be what the current surge of competitive increases in production is all about.

Countries like Venezuela, for example, with pressing trade and foreign debt problems, would face a big political backlash at home should its own production quota fail to rise in line with other Opec members. Senior oil officials of the country are coming under pressure from those who ask just how long Venezuela is to be made a fool of by other countries who are rapidly lifting production.

But in the end Venezuela, and countries such as Nigeria, Algeria, or Indonesia, are probably too small in terms of oil production to have much impact no the final shape of any potential settlement. They will have to wait and suffer until Opec's big producers decide they have had enough.

Maghreb prepares for locust battle

THE FIVE Maghreb states of North Africa are drawing battle lines to combat what threatens to be the most devastating locust invasions this century, reports Reuter from Rabat.

Officials said yesterday that the threat was looming large along a vast front of more than 5,000 km, stretching from the Nile in Sudan to the Atlantic coast in Mauritania.

Mr Adel Cortas, locust control co-ordinator of the UN Food and Agriculture Organisation, said 9.7m hectares were infested by locusts in five countries along the southern edge of the Sahara desert.

He explained that they had proliferated after heavy June and July rains carpeted semi-desert areas with vegetation in Sudan, Chad, Mali, Niger and Mauritania. When they have devoured all the available food they will start moving into North Africa.

Algeria, Libya, Morocco and Tunisia were rushing assistance to Mauritania because swarms of insects is an imminent threat to the rich agricultural areas of North Africa, Mr Cortas said.

A meeting of experts from the FAO, the World Bank and the North African states in Rabat at the weekend launched an urgent appeal for international aid to combat the locusts.

Aeroplanes and helicopters, insecticides, spraying equipment, protective clothing, two-way radio sets and financial aid are desperately needed, Mr Cortas said. Numerous countries have already pledged help and he said he was "fairly optimistic that there will be no major problem in Algeria and Morocco."

The rich farm lands of Algeria and Morocco stand to lose most from a locust invasion and those countries have mobilised troops and civilians equipped with about 200 aircraft and spraying equipment.

Algerian officials say they have drawn up battle lines across the country's vast desert territory with "an enormous network" to stem the swarms as they start to move northwards.

Venezuela in joint venture deal for $660m aluminium plant

By Joe Mann in Caracas

THE VENEZUELAN Government and the Organisation Diego Cisneros, one of the country's largest private investor groups, have signed a letter of intent covering the construction of a new aluminium smelter at an estimated cost of $660m.

The plant, to be called Aluminios de Angostura, is to be built in Ciudad Guayana, Venezuela's heavy industry centre. It will have an installed production capacity of 190,000 tonnes a year.

This is the latest in a series of joint ventures announced by the Venezuelan Government as it moves ahead with an ambitious expansion of primary aluminium capacity.

The country plans to raise annual capacity from the present level of 655,000 tonnes to 2m tonnes by the end of the 1990s. Private investors will hold a majority of shares in Aluminios de Angostura, no foreign partner in the venture has yet been named.

The Government-owned Corporacion Venezolana de Guayana), a regional development agency, will hold 20 per cent of the shares, while the ODC will have 10 per cent. The remainder will be in the hands of a foreign partner of partners, to be designated by mutual agreement between the CVG and the ODC, which will provide technology.

A number of international companies have expressed interest in investing in Venezuela's aluminium industry, and selection of a partner should not be a problem.

Reynolds Aluminium, Austria Metall, Pechiney, Alusuisse, General Motors, and a group of Japanese industrial concerns are already partners in different aluminium ventures in Venezuela.

The CVG controls Venezuela's largest steel, aluminium, mining and hydroelectric companies.

● Klockner of West Germany and a Venezuelan partner have won a $68m contract to supply ore handling equipment for a large bauxite (aluminium ore) mine in Venezuela.

The contract, awarded by Bauxiven, a Government-owned company, covers the supply and installation of equipment to move bauxite ore to railroad wagons at one site near the mine and, at another point, from rail cars to a river terminal for loading onto barges.

Klockner's partner in the contract is Vepica, a Venezuelan engineering company. Bauxiven is investing $460m to develop a bauxite mine that is projected to have a production capacity of 6m tonnes a year by mid-1990. Last year the mine produced 240,000 tonnes and output is expected to triple this year.

JAMAICA WILL be unable to meet this year's shipments of alumina purchased by China because of a shortfall in production caused by a hurricane which hit the island recently, writes Canute James in Kingston.

The Bauxite Alumina Trading Company, a state agency, had agreed to supply the China National Import Export Corporation with 100,000 tonnes of alumina, with shipments starting later this year. However, the hurricane which hit the island three weeks ago caused a temporary shutdown of mines and refineries, leading to a projected 30,000 tonne shortfall in this year's production.

Government officials said the Chinese agency had been advised to seek alternative sources for the shipments which it should have obtained from Jamaica this year.

Ok Tedi copper mine reopens after strike

PAPUA NEW Guinea's Ok Tedi copper mine has reopened after a 11-day strike, reports Reuter from Melbourne.

Mr Glen Andrew, general manager of Ok Tedi Mining, said a Government-convened compulsory conference between management and unions on Saturday settled the dispute over housing for married workers, allowing the restart.

The settlement was comparable with the company's original offer to unions which was rejected sparking rioting and looting by about 1,200 labourers, Mr Andrew added.

He said the company agreed to build 200 new homes for married skilled and semi-skilled workers with more than two years' service. The homes would be built over the next 18 months with the programme being reviewed after 12 months and then at six-monthly intervals.

It has also created a new work grade category for skilled machine operators.

Ok Tedi has lost between 800 and 1,000 tonnes of concentrate output a day during the strike.

Mr Dick Carter, Ok Tedi Mining's managing director, said the output losses amounted to between US$10m and $12m.

Options market tries to attract market makers

By Richard Mooney

CUT-PRICE membership of the London Traded Options Market is being offered to brokers prepared undertake the market making function.

The move is part of a package aimed at boosting liquidity in the market, which was launched in July last year to trade in options based on cocoa, coffee, raw sugar and gas oil futures contracts.

In an article in the pilot issue of a special options market newsletter Mr John Brackley, chairman of the options market, said it was generally recognised that "the root of our problem lies in the lack of market makers."

At present only one broker, CRT Options, is making markets and the committee wants to raise the number to five.

To attract the extra four a special market-making membership is being offered at a licence fee of only £500 - compared with £10,000 for a full membership. The special memberships would be convertible into full memberships, at no extra cost, after a full year.

In addition the market-making members would enjoy, for the first year, reduced International Commodity Clearing Clearing House fees and a holiday from levies on contracts traded.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,180-2,210 (2,190-2,220).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.85-6.05 (5.95-6.05).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 6.60-7.00 (6.80-7.10), sticks 6.60-7.00 (6.80-7.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.05-7.30 (7.15-7.35).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 310-325 (315-328).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.48-3.52 (3.50-3.55).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.50-9.70 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 54-62 (52-62).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.80-6.10 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices fell sharply as speculative money was withdrawn from the market yesterday following the overnight fall in New York. The market is still trying to sort out the implications of the International Coffee Organisation's complex agreement on world export quotas. Some analysts believe the agreement to be constructive for robusta coffee, but one trader said there was some feeling today that London futures had firmed too much both before the agreement and in a first reaction to the accord, and were now overvalued. In contrast cocoa prices advanced following market rumours that the Ivory Coast may have sold around 200,000 tonnes to a French trade house at FFr1,220 per 100 kilos – well above the current market level. On the LME zinc prices continued the rise of the last few days on light trade buying.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$9.70-9.80z	+0.05
Brent Blend	$11.70-11.85	+.175
W.T.I. (1 pm est)	$13.25-3.28z	
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$164-167	-4
Gas Oil	$106-107	-2
Heavy Fuel Oil	$49-51	-2.5
Naphtha	$119-122	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$397.25	+0.50
Silver (per troy oz)♣	622c	+2
Platinum (per troy oz)	$512	+10
Palladium (per troy oz)	$119.4	+0.4
Aluminium (free market)	$2155	-60
Copper (US Producer)	122⅝-128c	-2
Lead (US Producer)	39c	
Nickel (free market)	490c	-30
Tin (European free market)	£4270	-5
Tin (Kuala Lumpur market)	19.3r	
Tin (New York)	339.5c	
Zinc (Euro. Prod. Price)	$1350.0	
Zinc (US Prime Western)	69⅞c	
Cattle (live weight)†	109.18p	-0.17*
Sheep (dead weight)†	151.09p	+9.46*
Pigs (live weight)†	69.85p	-0.72*
London daily sugar (raw)	$244.7x	-7.6
London daily sugar (white)	$247x	-7
Tate and Lyle export price	£263	-5
Barley (English feed)	£110.5z	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£124.0z	+0.5
Rubber (spot)♥	59.00p	-1.50
Rubber (Nov)♥	69.25p	-1.50
Rubber (Dec)♥	66.75p	-1.50
Rubber (KL RSS No 1 Nov)	292.5m	-6.0
Coconut oil (Philippines)§	$550x	
Palm Oil (Malaysian)§	$425	+5
Copra (Philippines)§	$365	
Soyabeans (US)	$200.5	
Cotton "A" Index	57.3c	+0.9
Wooltops (64s Super)	660p	

£ a tonne unless otherwise stated. p-pence/kg. [illegible]

COCOA £/tonne

	Close	Previous	High/Low
Dec	734	723	736 720
Mar	757	742	757 740
May	774	755	774 732
Jul	790	774	780 778
Sep	810	793	809 794
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

COFFEE £/tonne [illegible]

SUGAR ($ per tonne) [illegible]

GAS OIL $/tonne [illegible]

GRAINS £/tonne [illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,000 tonne
Cash	2180-90	2200-10	2150	2155-60		
3 months	2140-5	2161-3	2155/2110	2115-7	2140-2	13,625 lots
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES £/tonne [illegible]

SOYABEAN MEAL £/tonne [illegible]

FREIGHT FUTURES $10/index point [illegible]

LONDON BULLION MARKET [illegible]

LONDON METAL EXCHANGE TRADED OPTIONS [illegible]

COTTON [illegible]

JUTE [illegible]

US MARKETS

WITH A RECOVERY in crude oil prices the metal markets experienced some stability, reports Drexel Burnham Lambert. Gold, silver and platinum all had marginal gains while copper had a healthy 80 point advance. In the softs, cocoa rallied as France denied subsidizing the Ivory Coast deal. Sugar gained 8 as some price consolidation was seen. In the coffee, prices fell amost 200 as continued speculative selling was featured. Activity in the grain markets was mixed. Soybeans and corn showed continued strength. The wheat market was only steady as the previous ralley seemed to be overdone. Cotton futures had a choppy day dominated by commission house activity. Prices were down 20 on the opening but posted gains later in the day. In the meat markets pork bellies remained weak closing down 37. Live cattle & hog futures were higher as retailers looked to fill their inventories. The crude oil markets saw short covering by trade & local participants temporarily gaining strength to this oversold market.

New York

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	13.16	13.06	13.30	13.07
Dec	12.96	12.74	13.05	12.77
Jan	12.92	12.66	12.99	12.70
Feb	13.00	12.65	13.00	12.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	829/0	817/0	830/0	817/0
Jan	839/2	826/6	840/0	827/0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices October 3

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

	Oct. 4	Oct. 3	Sept 30	Sept 29	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1523.6	1542.6	1551.6	1541.9	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	694.2	708.2	714.9	706.9	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	204.86	204.80	204.50	205.00	205.90 (27/9)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	5256.20	5269.80	5255.80	5236.10	5315.1 (21/9)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	234.73	233.96	234.20	233.38	234.73 (4/10)	180.68 (4/1)
FINLAND						
Unitas General (1975)	684.4	685.3	686.6	686.6	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	379.7	380.20	377.4	380.20(30/9)	251.3 (29/1)
Ind. Tendance(31/12/87)	147.6	147.2	146.4	146.6	147.6 (4/10)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	514.33	513.92	517.44	515.12	518.40 (21/9)	396.40 (29/1)
Commerzbank (1/12/53)	1559.40	1559.20	1571.10	1564.20	1576.40(21/9)	1207.9 (29/1)
DAX (30/12/87)	1245.58	1242.44	1252.69	1248.71	1260.99 (21/9)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2415.76	2429.07	2441.05	2439.39	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	554.57	555.09	552.71	549.27	555.09 (3/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27501.02	27545.53	27923.67	27700.13	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2129.78	2125.78	2151.36	2131.96	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	273.0	273.6	274.90	272.80	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	237.1	237.1	236.80	234.70	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	391.88	392.98	391.49	384.90	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1005.20	1023.05	1034.96	1030.69	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1276.0	1266.0	1264.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	(u)	1732.0	1737.0	1723.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	282.75	283.68	281.27	277.75	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3122.04	3112.3	3105.20	3088.41	3124.50 (22/9)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	565.10	565.90	567.00	565.80	567.00(30/9)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	445.0	446.2	444.6	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 1: Japan Nikkei 27,700.13 and TSE 2,135.62
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Base values of all indices are 100 except ... and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 4 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	194.6m	747	+22	NKK	38.0m	800	+18
Mitsubishi Heavy	106.8m	1,010	+17	Tobu Railways	36.0m	1,410	+30
Nippon Steel	81.6m	805	+20	Kawasaki Heavy	26.4m	720	+22
Kobe Steel	61.0m	636	+29	Osaka Gas	18.9m	699	+89
Kawasaki Steel	51.8m	905	+16	Tokyo Gas	18.6m	1,400	+80

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

2pm prices October 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27¾	14	AAR s	.36	1.4	19	12	28¼	28	28¼	+⅛
10⅛	9¼	ACM n				20	9⅜	9¼	9¼	
12⅛	8⅛	ACMIn 1.26a		12.		233	11	10⅞	10⅞	−⅛
12⅛	10⅞	ACMSc n1.26		12.		200	10⅞	10¾	10¾	
10⅛	8⅞	ACMSp n1.01		11.		213	9¼	9⅛	9⅛	−⅛
28⅞	10½	AGS			20	426	28⅛	28⅛	28¼	
7⅞	3¼	AM Intl				93	5½	5⅜	5½	+⅛
26½	17	AM Int pf 2		9.1		10	21⅞	21⅝	21⅞	
57⅞	26¾	AMR			10	1042	48½	48¼	48⅜	−⅛
27	25	ANR pf 2.67		10.		41	26½	26⅛	26⅛	
10	6¾	ARX			11	3	7	7	7	−⅛
70½	35¼	ASA	3	7.9		220	38¼	38	38⅛	+½
22⅞	9½	AVX	.12e	.6	12	189	19⅛	19	19	+⅛
61⅝	40	AbtLab	1.20	2.5	16	2264	48⅛	47⅞	47⅞	−⅞
27¼	15⅞	AbitibI g	1			23	16⅞	16⅞	16⅞	
16½	8½	AcmeC	.40	4.6		103	9	8⅞	8⅞	−⅛
9½	6⅝	AcmeE	.32b	4.7	49	2	6⅞	6⅞	6⅞	−⅛
20	14⅛	AdaEx	3.05e	20.		2	15⅜	15⅜	15⅜	
19¼	6⅞	AdamMl	.24	1.4	16	2	16⅝	16⅝	16⅝	−⅛
24⅞	7½	AMD				7274	9⅛	8⅞	9	
36¼	29¼	AMD pf	3	9.7		514	31	31	31	+⅛
9½	4⅝	Adobe				64	7½	7½	7½	
19⅞	16¼	Adob pf	1.84	11.		2	17⅜	17⅜	17⅜	
12	5⅞	Advest	.12	1.5	16	18	8¼	8⅛	8⅛	
61¾	39½	AetnLf	2.76	5.4	8	736	51½	50¾	50⅞	−⅝
35⅛	20½	AflPb s	.20	.7		742	30	29⅞	29⅞	
20⅞	13	Ahmans	.88	5.1	11	2772	17¼	16⅞	17¼	+⅛
4⅝	1¾	Aileen				13	4	4	4	−⅛
53⅝	29	AirPrd	1.20	2.9	11	985	41⅞	41⅝	41⅝	+⅛
27½	11⅛	AirbFrt	.60	3.1	25	32	19⅜	19⅛	19⅜	+⅛
16⅞	6¾	Airgas			16	7	14½	14⅜	14½	+⅛
20	13½	AirLease	2.40	13.	10	10	18¾	18¾	18¾	−¼

Continued on Page 47

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E Ratio	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

prices October 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 4pm prices October 3

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wortg	.44	15	408	22¼	21½	21⅝	- ⅝
Wyman	.80	14	13	14¾	14½	14½	- ½
			-X-Y-Z-				
XL Dta		14	31	24¼	23¾	23¾	- ⅛
XOMA			288	14¾	14	14¾	- ⅛
X-Rite s		15	53	11½	11	11	- ⅜
Xicor		13	1230	8⅞	8½	8½	- ¼
Xyvsn		3	12	4⅞	4⅞	4⅞	- ¼
YelowF	.70	19	2454	31½	30⅝	31⅛	- ⅜
ZionUt	1.44		45	24¼	23	23¾	+ ¼

AMERICA

Bid for Pillsbury provides welcome flurry of interest

Wall Street

THE BOUT of volatility on Monday, when the Dow Jones Industrial Average slumped 30 points before recouping most of the loss, was followed yesterday by a return to a tight trading range, *writes Janet Bush in New York.*

Volume totalled 157m shares, a healthier level of activity than that in most recent days. However, the Dow hardly moved from Monday's close throughout the session and closed 3.20 points lower at 2,102.06.

Institutions are unwilling to commit themselves to new fourth quarter investment until they have seen the unemployment and jobs figures, due for release on Friday.

Some excitement was generated, however, by news of a $60-a-share tender offer worth $5.12bn for Pillsbury by Britain's Grand Metropolitan. The bid appeared to come as a complete surprise to Pillsbury, which had no comment yesterday.

The offer represented a substantial premium over Pillsbury's share price of $39⅝ at Monday's close. Pillsbury's shares, the most heavily traded on the New York Stock Exchange, rocketed up $18⅝ to $57⅞.

The news triggered some more interest in US stocks traded in Europe. European dealers also noted that the strong recovery from Monday's 30-point loss on the Dow had been encouraging.

News of the tender offer for Pillsbury sparked interest in other companies in the food processing sector. Hershey Foods added $⅞ to $25⅞, Campbell Soup rose $⅞ to $30¼ and Kellogg jumped $1⅜ to $62⅜.

Apart from the activity surrounding Pillsbury, the market had no overall trend. Both bond and equity markets are focused heavily on Friday's employment release, amid expectations that the US unemployment rate had fallen by 0.1 per cent to 5.5 per cent in September and that the non-farm payroll increased by between 280,000 and 375,000.

Once the hurdle of these figures is overcome, markets then have to face more key economic figures next week, including the latest trade figures, which are expected to show a deterioration in the trade deficit.

Among the most heavily traded stocks on the New York Stock Exchange was Inco, the nickel and copper producer, which added $1⅛ to $30⅞ after the company announced a recapitalisation plan, which includes a special dividend to shareholders of $10 a share and a shareholder rights plan.

Recognition Equipment dropped $1⅛ to $6⅞. The company said it expected to be indicted in connection with a government probe into US postal service procurement procedures. It has derived 10 per cent of its revenue this year from government contracts – business which may become more difficult if charges are brought.

Stuarts Department Stores added $1⅛ to $5⅞ in over-the-counter trading, after saying it was holding preliminary talks with a group, including members of its senior management, about a possible sale of the company.

Also on the OTC market, Computer Entry Systems jumped $1⅛ to $6⅞ after the board rejected an unsolicited offer from Banctec to acquire the company for $6.75 a share.

Blue chips were mixed. International Business Machines dipped $⅞ to $114⅞ and General Electric fell $⅛ to $42⅞.

Oil issues continued to be pressured by weak oil prices. Chevron dropped $⅞ to $42⅞, Mobil lost $⅛ to $42⅞ and Exxon slipped $⅜ to $44.

Canada

MINING stocks posted steady gains in Toronto, but selling in the energy group, based on fears of weak oil prices, caused the broader market to close mixed. The mining sector attracted buying after Inco announced a US$10 per share dividend.

Portugal languishes beneath a heavy cloud

Foreign investors and new closed-end funds could be the answer, writes Diana Smith

There could hardly be a more vivid contrast between the pace of the Portuguese bourses in early October 1987 and in early October 1988.

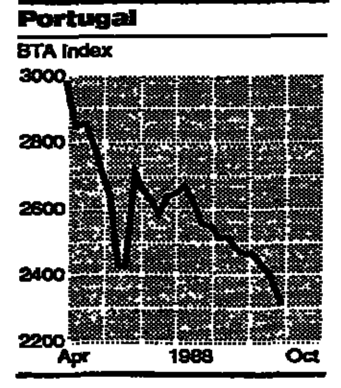
A year ago daily share turnover averaged $17m in the frantically rising Lisbon bourse. A year later, the ripple effect of the 1987 crash has not yet subsided and the market's daily average turnover hovers around $3m.

In Oporto, the smaller of the two bourses, daily volumes are worth less than $175,000. Apart from the dozen or so star performers, trading boards are lacklustre; on any given day there may be no trading at all in a third of the market's 170 listed companies.

The BTA General index, which covers 30 stocks, now stands at around 2,311, compared with 2,990 at the start of the year and 6,430.3 on October 20 last year.

The bottom has also fallen out of the once-bustling government securities market, where the state is trying to raise finance at low interest rates that attract no takers. Planned bond issues have been suspended.

Portugal



Why is Portugal stuck in the post-crash doldrums? Analysts perceive several reasons:

● The market went from being a tiny backwater to a hot spot in a few months last year, with naive local small investors investing madly, testing shaky structures to the limit. After the crash and the hasty pull-out of foreign investors, local investors – who had raided the market for undreamed of short-term gains – panicked. Their confidence has not yet returned and those who want short-term liquidity now buy Treasury Bills.

● Portugal has few institutional investors. A new pension fund law, offering companies 15 per cent tax deduction on 1988 wage costs if they set up pension schemes, led to only seven such schemes. A glimmer of hope comes from insurance companies' plans to invest Es4bn ($25.8m) on the bourse by December – but much more than this is needed to boost turnover and prices.

● The Anibal Cavaco Government, the Finance Ministry of which controls the bourse, erratically gives and takes away capital gains and other tax incentives which could enliven the bourse.

● Off-market trading – namely swaps between banks of clients' share portfolios that have no impact on the bourse or prices – is prevalent, unpenalised and unsupervised.

All is not depressing, however, according to Mr Joao Rendeiro, market analyst and manager of Unifundo, one of Portugal's first open unit trusts, operated by the company Gestifundo. Foreign institutional investors are creeping back, looking for solid bargains among companies with spectacular 1988 results. Corporate profits are growing at between 50 per cent and 300 per cent.

"Foreign investors are hampered somewhat by a shortage of comprehensive and detailed information about companies and opportunities on Portugal's bourses. Investment firms or boutiques, fund managers and some banks now do intensive research, but a central flow of data available to foreign investors is needed."

Foreign institutional investors are creeping back, looking for solid bargains

New closed-end funds being prepared for launch by institutions such as Gestifundo, CISF, MDM and Banco Portugues de Investimentos, will beef up the stock market. Gestifundo's Capital Portugal Fund alone will buy Es5bn worth of shares in its first tranche. The closed-end funds are being tailored for institutional investors.

Analysts point to reprivatisation of some state enterprises as a potential fillip for the market, increasing the paper available on a bourse which now has more listed companies than Greece or Turkey. Reprivatisation of 49 per cent of the capital of the Unicer breweries and Banco Totta e Acores should begin early next year.

The private sector still looks to the bourse for its financing needs, and new issues of shares, rights and bonuses have continued. Operating and admission rules have been tightened and analysts believe the bourses now boast good listed companies.

The most active shares in recent dull sessions have been in banking and finance, pulp and paper, food and beverages, construction, basic industry and transport. Wholesale and retail trade, mining, agri-business and base metals have been slack.

The weather forecast on the Lisbon market is therefore dull skies for a while, with the likelihood of sunnier weather moving in slowly.

EUROPE

Takeover talk helps Paris resume its climb

FURTHER speculative buying in Paris and Milan proved the main talking points in Europe, where markets closed mixed overall, *writes Our Markets Staff.*

PARIS saw good gains in a number of stocks as investors shopped for potential takeover candidates, and the market ended the session higher after its pause for breath on Monday.

The OMF 50 index closed up 0.63 at 390.98 and volumes were estimated at around the same level as on Monday, when FFr1.8bn worth of shares changed hands. The CAC General index was unavailable.

Club Med and Accor were both active as attention turned to the hotel and leisure groups. Analysts said the sale by GrandMet of the UK of its hotels division, InterContinental, was highlighting the sector's potential. Japanese investors were rumoured to be buying Club Med, which saw about 45,000 shares traded, ending the day FFr34.50 higher at FFr460. Accor put on FFr12 to FFr526.

Sommer Allbert, the plastics and synthetics producer, rose FFr122 to FFr2,234, inspired by Valeo's bid for fellow car components maker Epeda. Sommer Allbert makes car dashboards, car carpets and mats. Valeo put on FFr15 to FFr600, while Epeda remained suspended at FFr930.

On the cash market, Taittinger – the only remaining quoted champagne producer of any size – rose FFr115 to FFr2,920. Takeover speculation was fuelled by Monday's bid by Remy Martin for Piper-Heidsieck, one analyst said.

FRANKFURT had a dull day at the end of which share prices were slightly higher. The FAZ index was up 0.31 at 514.33 and the DAX real-time index added 3.45 to 1,245.89.

Investors were largely sitting out the session, said one analyst. "Fundamental opinion is favourable and underpinning the market very strongly but at the moment the desire to buy and the desire to sell are notably absent."

News that domestic industrial production rose by 5.6 per cent month-on-month, after a fall of 3.7 per cent in July from June, was in line with expectations and thus had little immediate effect. Only good news which was not expected was having any impact on trading.

Consequently, Siemens climbed DM2.50 to DM472.50 amid rumours that it would pay a higher dividend this year, after cutting it last year. Nixdorf fell further, losing DM4 to DM408 on concern over a possible downward revision in profits forecasts.

MILAN shares eased after recent strong gains, with investors pre-occupied by the political situation. The Comit index closed down 0.52 at 554.57.

Trading was lively, but concentrated on a few shares, with prices underpinned by buying interest in Generali. There is a rumour of Japanese interest in the insurance group, which closed up L850 at L43,500, falling back later to L42,800 after hours.

News of worse-than-expected net redemptions in mutual funds last month – at L1.1 trillion (million million), nearly double the August figure – was received badly. A continued climate of excitement and confidence depended largely on the Government tackling the unsustainably high budget deficit, one analyst said.

Mr Carlo De Benedetti strengthened his grip on publishing group Mondadori through further share buying, with Mondadori closing up L2,410 at L13,560.

MADRID closed lower on widespread profit-taking after three days of gains. The general index fell 0.93 to 282.75, with construction and metal stocks leading the drop.

Only the firm bank sector traded against this trend, closing higher after a session marked by low volume and dominated by sell orders.

Banco Santander, which has forged a wide-ranging alliance with Royal Bank of Scotland in a bid to compete with larger banks after 1992, closed up 20 points at 958 per cent of par.

AMSTERDAM rose above early lows, encouraged by London's performance and Wall Street's slightly higher opening. Trading remained dull and the CBS index rose 0.4 to 98.8.

Volker Stevin, the builder that has been the subject of takeover rumours, lost Fl 1 to Fl 37.50 after Monday's statement that it would issue 2.5m preferred shares to protect its independence.

Heineken, the brewer, picked up a further Fl 1.80 to Fl 148.30 amid takeover speculation, while Océ van der Grinten, the office equipment company reporting third quarter results today, lost Fl 2 to Fl 266.

ZURICH slipped in directionless trading, as institutions remained on the sidelines. The Crédit Suisse lost 1.1 to 477.2.

Nestlé bearers dropped SFr30 to SFr8,670 while its registered rose SFr10 to SFr4,260. The food company faces European and US calls for an international boycott of its products after its gift of supplies of baby milk powder to Third World hospitals. The protesters claim this is against World Health Organisation guidelines.

STOCKHOLM rebounded from early losses to end a little higher. The Affärsvärlden index rose 2.9 to 913.3. Investors were wary before the Government's policy statement in the afternoon, which came after the market close.

BELGIUM closed generally easier in moderate trading, with the cash index off 13.6 at 5,256.2. Demand focused on steelmakers, led by Clabecq, up BFr82 at BFr1,360.

SOUTH AFRICA

GOLD prices rose in Johannesburg on a slight recovery in the bullion price, but interest centred mainly on quality stocks. Trading was quiet. Randfontein ended at R246, up R4. Freegold gained R1.25 to end at R29.25.

ASIA PACIFIC

Japan remains uncheered by tidings from abroad

Tokyo

A NEGATIVE mood pervaded the equities market yesterday and no amount of good news from abroad seemed sufficient to restore confidence, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which fell steadily throughout the day, recovered modestly in late trading and cut its loss to 44.51, closing at 27,501.02.

The high of the day was 27,531.76 and the low was 27,333.24. Declines outnumbered advances by 570 to 259 while 175 issues were unchanged. Volume increased markedly to 1.05bn shares compared with 673.11m on Monday.

In London, Japanese shares later edged up, with the ISE/Nikkei 50 index adding 4.56 to 1,778.83.

The external environment in Tokyo was certainly encouraging. Oil prices fell overnight in New York, the yen strengthened during the day and the bond market continued to be strong. Yet even with such favourable conditions, enthusiasm in the market just could not be inspired.

Analysts attributed the mood to concern over the failing health of the Emperor, who has been seriously ill for the past two weeks. Investors and even brokers are reluctant to be seen actively participating on the market, when it is perhaps more appropriate to be solemn and passive, according to Mr George Nimmo, of SBCI Securities (Asia).

The market did, however, regain some momentum before the close. The strength lay mainly in utility companies, which attracted interest on news of lower overseas crude prices. Among them, Tokyo Gas increased Y70 to Y1,400, Tokyo Electric Power added Y290 to Y6,100 and Osaka Gas rose Y80 to Y1,400.

Large capital steels firmed: Sumitomo Metal, the most heavily traded issue at 194.5m shares, rose Y22 to Y747 and Nippon Steel, third in volume at 81.6m, rose Y20 to Y805.

Shipbuilding companies also attracted buying interest. Mitsubishi Heavy, which has been selected recently on news that a subsidiary, Mitsubishi Motor Company, will be listed soon, added Y17 to Y1,010. It was the second most heavily traded issue at 108.8m shares. Investors were encouraged by news that Japan's Defence Agency will use a new tank next year; Mitsubishi Heavy Industries is a leading company on its research team.

Reports in the papers that suggest the Soviet Union may be willing to discuss the issue of the northern islands – long a cause of dispute between the two nations – is leading to expectations of an improvement in relations with Moscow. That hope boosted trading groups Mitsui Trading and Co, which rose Y30 to Y905, and C.Itoh, which added Y34 to Y885.

Osaka suffered another decline, with the OSE off 158.15 at 25,907.77. Volumes recovered significantly to 113.38m shares from Monday's 54.78m.

Roundup

THE MAIN Asia Pacific markets ended lower in spite of improved turnovers in Hong Kong, Singapore and, especially, Taiwan.

HONG KONG closed weaker but above the session's lows after another day of sluggish trading, with most investors remaining on the sidelines.

The Hang Seng index fell 13.31 to 2,415.76. Turnover was up at HK$349.71m worth of shares against Monday's HK$297.45m.

SINGAPORE fell across the board, pushing the Straits Times industrial index below the support level of 1,020. The index closed 17.77 lower at 1,005.28 in lacklustre trading. Turnover totalled 14.7m shares against Monday's six-month low of 10.8m.

AUSTRALIA closed sharply weaker in thin trade, with the All Ordinaries index down 18.9 points, or 1.2 per cent, at 523.6.

Higher domestic interest rates tempered demand, particularly for industrial stocks. Blue chip industrials fell sharply, bank stocks were weaker and leading gold stocks dropped back in spite of firm bullion prices.

TAIWAN investors continued to flock back to the market yesterday after an apparent back-pedalling by the Government on Monday which took the sting out of a decision to reinstate capital gains taxes on January 1, *writes Bob King in Taipei.*

The value of transactions rose from NT$8.7bn ($301m) to more than NT$37bn in Tuesday's trading

Purchases exceeded sales by 40,000 shares on a total volume of 425.9m shares, although issues that closed lower exceeded those rising by a margin of five to one. The index continued its fall of the previous four days, to close 194.25 lower at 7,796.50.

The raising of the threshold on equity sales that will be liable to capital gains tax followed loud public protests, which included picketing of the Finance Ministry by investors. The Government over the weekend agreed to limit the tax to annual transactions over NT$10m, rather than the original NT$3m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 4 1988					MONDAY OCTOBER 3 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	136.89	-1.4	119.77	115.63	4.23	138.86	121.17	117.66	152.31	91.16	170.89
Austria (17)	88.86	+0.4	77.75	85.86	2.47	88.47	77.20	85.56	98.18	83.72	100.74
Belgium (63)	121.82	-0.2	106.59	118.67	4.25	122.09	106.53	118.92	139.89	99.14	125.80
Canada (126)	119.78	+0.4	104.80	104.86	3.16	119.26	104.07	104.54	128.91	107.06	135.54
Denmark (39)	133.69	+0.2	116.97	130.10	2.30	133.40	116.40	129.59	133.69	111.42	117.33
Finland (26)	114.17	+0.6	99.89	105.04	1.68	113.53	99.07	104.78	139.53	106.78	–
France (130)	99.99	+0.5	87.49	99.44	3.26	99.47	86.80	98.84	99.99	72.77	108.92
West Germany (102)	79.34	-0.1	69.42	76.76	2.41	79.46	69.33	76.85	80.79	67.78	101.88
Hong Kong (46)	98.90	-0.6	86.53	99.19	5.02	99.49	86.82	99.78	111.86	84.90	157.09
Ireland (18)	131.72	-0.1	115.25	128.80	3.91	131.87	115.08	129.22	144.25	104.60	156.12
Italy (100)	75.82	-0.1	66.33	78.55	2.56	75.87	66.20	78.56	81.74	62.99	93.26
Japan (456)	160.63	+0.7	140.54	135.25	0.55	159.57	139.24	134.81	177.27	133.61	144.76
Malaysia (36)	132.49	-1.4	115.92	136.64	2.86	134.38	117.26	138.75	154.17	107.83	177.72
Mexico (13)	154.52	-2.2	135.19	386.54	1.41	157.94	137.82	395.09	180.07	90.07	410.07
Netherland (38)	102.74	+0.3	89.89	98.42	4.94	102.44	89.39	98.09	110.66	95.23	124.27
New Zealand (27)	70.77	+0.5	61.92	61.21	6.36	70.40	61.43	61.08	84.05	64.42	135.96
Norway (25)	114.28	-0.1	99.99	106.72	2.69	114.41	99.83	107.03	132.23	98.55	181.40
Singapore (26)	115.01	-2.0	100.63	108.01	2.53	117.36	102.41	110.27	135.89	97.99	170.48
South Africa (60)	106.37	+0.6	93.06	93.01	4.63	105.70	92.24	92.43	139.07	98.26	183.21
Spain (42)	141.45	+0.5	123.76	131.86	3.03	140.71	122.78	131.27	164.47	130.73	168.81
Sweden (35)	121.65	+0.3	106.44	114.99	2.48	121.34	105.89	114.65	125.50	96.92	134.92
Switzerland (56)	77.51	-0.4	67.82	75.90	2.22	77.79	67.88	76.13	86.75	74.13	110.71
United Kingdom (322)	127.69	+0.0	111.72	111.72	4.69	127.73	111.46	111.46	141.18	120.66	158.93
USA (582)	110.59	-0.3	96.75	110.59	3.63	110.95	96.82	110.95	112.47	99.19	130.60
Europe (1013)	105.57	+0.0	92.37	98.08	3.77	105.53	92.09	97.91	110.82	97.01	129.29
Pacific Basin (682)	157.22	+0.6	137.55	132.99	0.77	156.34	136.42	132.68	172.26	130.81	146.10
Euro-Pacific (1695)	136.58	+0.4	119.50	119.00	1.71	136.04	118.71	118.75	147.53	120.36	139.43
North America (708)	111.07	+0.3	97.18	110.26	3.60	111.38	97.21	110.57	113.39	99.78	130.86
Europe Ex. UK (691)	91.70	+0.1	80.23	89.76	3.02	91.61	79.94	89.64	92.99	80.27	110.87
Pacific Ex. Japan (226)	116.13	-1.1	101.61	104.64	4.45	117.42	102.47	106.02	128.27	87.51	162.57
World Ex. US (1894)	135.72	+0.4	118.74	118.39	1.78	135.18	117.96	118.13	146.49	120.26	139.94
World Ex. UK (2154)	125.78	+0.2	110.05	116.07	2.17	125.56	109.56	116.05	131.77	111.77	134.07
World Ex. So. Af. (2416)	126.05	+0.2	110.29	115.80	2.39	125.86	109.83	115.77	132.99	113.26	135.98
World Ex. Japan (2020)	109.33	-0.2	95.65	105.79	3.70	109.54	95.59	105.97	112.43	100.00	132.24
The World Index (2476)	125.93	+0.2	110.18	115.65	2.39	125.73	109.72	115.61	132.38	113.37	136.28

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).